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Evaluating Export Promotion Programmes: UK Overseas Trade Missions and Export Performance

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June 1999

A thesis submitted to Middlesex University
in partial fulfilment of the requirements for the degree
of Doctor of Philosophy

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ABSTRACT

Exporters generally agree that, in spite of communication technology, visiting foreign markets remains a necessity to acquire relevant information and to expand overseas business. For UK exporters, these visits can be made either on an individual basis or by joining collective overseas trade missions organised by Chambers of Commerce or Trade Associations. Trade missions are part of the subsidised Export Promotion Programmes offered by the UK government to encourage SMEs to expand into foreign markets. Due to their small size, their lack of resources, and their managerial style, SMEs need external assistance to overcome the risks of internationalisation.

This thesis focuses on the evaluation of a specific Export Promotion Programme, the overseas trade missions organised primarily for SMEs by the London Chamber of Commerce and Industry. The present research investigates more specifically the factors that have an impact on trade mission outcomes and the influence on export performance of the acquisition of experiential knowledge through trade mission participation.

This research intends to fill the gap that exists in the export literature regarding the evaluation of overseas trade missions. Trade missions have been used by exporting SMEs to facilitate their entries into remote markets. Little knowledge is available on the contribution of trade mission participation to SMEs' export performance or on the factors that are most likely to influence trade mission outcomes. In light of an increasing number of governments' trade and budget deficits and the importance of the SMEs sector in a country's economy, there is a need for a systematic evaluation of government subsidised programmes and their influence on subsequent trade patterns.

One hundred and ninety SMEs participating in twelve trade missions organised by the London Chamber of Commerce and Industry were surveyed in 1996 and 1997, using a longitudinal design. The executives participating in the trade missions received a first questionnaire upon their return from the visits and a second one six months later to

assess changes in behaviour and trade patterns as well as knowledge acquired during the period.

The findings show that SMEs that follow a diversification export strategy and that acquire specific knowledge about the targeted markets prior to the trade missions are more likely to generate outcomes during the trade missions. This study also demonstrates that trade mission participation is instrumental in gaining a thorough understanding of overseas markets and in contributing positively to the relationship-building process between foreign buyers and sellers. Following the trade missions, generation of incremental sales in the targeted markets is facilitated by keeping in close contact with customers and agents and by paying them regular visits.

These findings point to the fact that successful exporting SMEs are characterised by being learning organisations where the acquisition and transfer of knowledge is facilitated within the firms themselves and between firms which are part of their business network. SMEs' export-orientation is enhanced by cross-cultural awareness, international negotiation, and foreign languages skills. This acquisition of export knowledge and skills could be encouraged by close cooperation between SMEs, the public sector and educational institutions.

The primary contribution of this thesis is the development of a framework showing the interrelationships between firms' specific characteristics, trade mission participation, and export performance over time. The findings also provide a thorough understanding of the trade mission process, which could be used profitably by policy makers, trade mission managers, and export managers to increase their effectiveness in the design, organisation, and use of international trade promotion schemes.

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*"Il était habile dans cet art qu'on appelle la suggestion
et qui consiste à faire dans l'esprit des autres une petite
incision où l'on met une idée à soi."*

Victor Hugo

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ABBREVIATIONS

BOTB	British Overseas Trade Board
COFACE	Centre Français de Commerce Extérieur (France)
DFAIT	Department of Foreign Affairs and International Trade (Canada)
DTI	Department of Trade and Industry (UK)
EPP	Export Promotion Programmes
EXP	More Experienced Exporters
FEC	Federal Economic Chamber (FEC)
FT	Financial Times
ICE	Istituto Nazionale per il Commercio Estero (Italy)
ICEX	Istituto Español de Comercio Exterior (Spain)
LCCI	London Chamber of Commerce and Industry
NAO	National Audit Office
NTM	New-to-the-Market Exporters
OBCE	Office Belge du Commerce Extérieur (Belgium)
OTS	Overseas Trade Services
SMEs	Small and Medium-sized Enterprises
TM	Trade Mission

1. INTRODUCTION

1.0 INTRODUCTION

Fifteen years ago, a comprehensive investigation on the role and impact of overseas trade missions was performed in Canada (Seringhaus 1984). Since then, little interest has been shown by both academics and practitioners in the evaluation of this export promotion programme intended to encourage small- and medium-size enterprises (SMEs) to expand into new foreign markets. This is in spite of the fact that overseas trade missions is the scheme that involves the second larger number of participating firms after trade fairs in the UK and that was deemed to be the most cost effective one according to a survey conducted by the National Audit Office (1996).

This thesis, therefore, intends to fill a gap in the literature by providing an empirical analysis of the trade mission process. This research will contribute to a better understanding of overseas trade missions, the factors that influence their success, and the contribution of experiential knowledge acquisition through trade mission participation to SMEs' export performance over time.

This first chapter provides a general introduction to the research topic and its rationale. In Sections 1.1 to 1.3 the need for Export Promotion Programmes (EPPs) and their evaluation as well as the various types of programmes available are reviewed. Section 1.4 presents the objectives of the research. In Section 1.5 an outline of the methodology used is provided. Finally, Section 1.6 explains the structure of this thesis.

1.1 GOVERNMENT SUBSIDISED EXPORT PROMOTION PROGRAMMES

Global trends have encouraged the creation of a more open environment for international trade. There has been an increased awareness that protectionist policies affect the harmony of international relations between trading partners. As a consequence, tariff barriers have been reduced due to GATT negotiations. In the industrialised countries, various industry sectors have taken advantage of an emerging global customer to spread extensively across borders. At the same time, a number of developing countries have benefited from the programmes of the International Monetary Fund (IMF) to restructure their industry base with an emphasis on export development. The opening of the former Eastern Bloc also contributed to a greater number of countries competing on a worldwide basis.

This new liberal trade environment as well as downturns in the economy have prompted several countries to establish trade policies. One facet of these trade policies has been to encourage exports. To do so, Export Promotion Programmes (EPPs) have been designed to assist SMEs to better fulfil their export potential. Nowadays, most countries, both industrialised and developing, offer such EPPs (Seringhaus and Rosson 1991a).

Export promotion, defined as "all public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective" (Seringhaus 1986, p.55) is, for developing countries, an instrument of economic development and for industrialised countries a way of strengthening the competitiveness of individual companies. The EPPs designed by Export Promotion Organisations in the industrialised world aim at overcoming the motivational, informational and resource barriers often encountered, especially by small and inexperienced exporters (Kotabe and Czinkota 1992, Seringhaus and Rosson 1990a).

1.2 TYPES OF EXPORT PROMOTION PROGRAMMES

Many EPPs are currently used. Cavusgil and Yeoh (1994) classified the various EPPs available in four categories: (1) 'Export information and advice'; (2) 'Marketing support'; (3) 'Promotional activities abroad'; and (4) 'Finance and guarantees'.

Although EPPs are fairly similar among countries, the way they are administered differs. For example, some countries favour a centralised public administration such as Canada and France. Other countries such as the UK involve the sponsorship of the private sector. In some other places, most of the responsibility to manage EPPs would be left to the private sector, such as Chambers of Commerce in Germany.

EPPs are primarily intended for SMEs and often offer financial subsidies. When compared to larger firms, SMEs are characterised by lack of resources, an entrepreneurial decision-making system often based on intuition rather than rationality, and flexibility (Hollensen 1998). EPPs are therefore designed to overcome some of the SMEs' constraints, such as shortages of informational and financial resources, when these firms are faced with the opportunity or the need to expand internationally.

Access to EPPs is limited to SMEs presenting specific criteria. It is felt that once firms have acquired the necessary knowledge in a particular country, they can proceed with their ventures on their own. These eligibility criteria vary among countries and are set to maximise the resources devoted to EPPs and to fulfil the country's objectives for its export policies in the best possible way. In Canada for example, the beneficiaries of EPPs are carefully segmented. Only firms with turnover between \$250,000 and \$10 million and less than 100 employees for manufacturers, 50 for service companies can benefit from subsidised programmes (DFAIT 1995). In France and the UK, subsidised EPPs are available to a wider range of firms, from SMEs to multinationals.

This research focuses on a specific Export Promotion Programme: 'promotional activities abroad'. Overseas trade fairs and trade missions (TMs) are the most popular services in this category in terms of number of countries offering them, number of participating companies and budgets available (Section 3.2.5). The purpose of overseas trade fairs and trade missions is to encourage firms to develop their activities abroad by offering them the opportunity to gain hands-on experience in the target markets and establish a network of contacts. The impact of trade fairs on export outcomes and their use as export promotion tools has been widely examined (Blythe 1996, Pfeiffer et al. 1998, Shipley et al. 1993). This is due mainly to the easy access to participants provided by these events since most of them are open to the public, and their significant

visibility. On the contrary, TMs have drawn less attention from academics or businesses. Little empirical research or business reports are available. This could be due to the fact that there are fewer TMs and these involve a smaller number of participants than trade fairs. Access to participants is also more difficult as TMs are generally organised by trade associations or government departments and access to data is restricted.

Qualified as a 'learning experience in export marketing' (Seringhaus and Mayer 1988), TMs have an important role to play in a firm's early involvement in export ventures or expansion into new export markets. Face-to-face contacts with potential or existing customers, agents, distributors, decision-makers, and influencers can enhance understanding of the market and build trust. As a result, a longer term and more profitable relationship may follow.

1.3 EXPORT PROMOTION PROGRAMMES EVALUATION

Due to a greater scarcity of resources, governments and constituents are putting EPPs under closer scrutiny. The effectiveness and efficiency of such programmes have been questioned (Crick and Czinkota 1995, Kotabe and Czinkota 1992) and, as a consequence, a number of evaluation studies have been performed both by the private sector and academics. In general, government programme evaluation is a complex field to tackle due to the number of factors that influence outcomes, the diversity of performance criteria used, and the lack of comparability of measurements already undertaken.

Despite the difficulties of evaluation, it is all the more important to scrutinise the effectiveness and efficiency of use of public funds. The evaluation of government support for international trade promotion can be a useful tool to improve existing programmes, reallocate resources to more profitable or popular programmes, or create new ones in response to industry requirements.

1.4 OBJECTIVES OF THE RESEARCH

As previously mentioned, empirical studies in the area of TMs have been scarce. More specifically, no study has established a causal relationship between the factors that influence the success of such events and the outcomes of these events over a specific period of time. TMs have often been evaluated together with other EPPs, giving an unclear picture of their impact (Diamantopoulos et al. 1993, Seringhaus 1987b).

Measures of TM impact have only been suggested in one study (Seringhaus and Rosson 1990d). These measures included the extent to which TM objectives were met, the amount of sales and number of contacts obtained, as well as agents appointed while on the TMs, and the follow-up activities that took place. Also, when measuring outcomes, performance should be evaluated over time. Because of time and resources constraints, few EPP evaluation studies have used a longitudinal design to investigate the impact of an event over time (Diamantopoulos et al. 1993).

Furthermore, evaluation of EPPs should investigate the process itself and not only the outcomes (Nyberg 1987). Also, the linkages between the best predictor variables to TM performance, the contribution of TM to export performance, and the investigation of export performance over time following TMs participation, have not been the object of any investigation.

This thesis, therefore, proposes to take into account the research opportunities discussed above in the context of the UK. The objectives of this study are as follows:

1. To investigate a relationship between TM participating firms' structural and knowledge characteristics, country characteristics and TM outcomes;
2. To evaluate the extent to which TM outcomes impact on export performance over time; and
3. To examine the influence of the acquisition of experiential knowledge on exporting companies undertaking TMs.

To summarise, this thesis intends to demonstrate that TMs add value over time to the overseas market entry process provided that the acquisition of experiential knowledge is given priority.

1.5 METHODOLOGY

1.5.1 Research Design

In order to fulfil the above objectives, a hypothetico-deductive approach has been used (Easterby-Smith et al. 1991). Previous studies demonstrated that firms' structural characteristics, export experience, past experience in the market, preparation before the TM, and follow-up with established contacts would influence export performance (Aaby and Slater 1989, Naidu and Prasad 1994). From these considerations, a framework explaining the possible relationships between selected factors and export performance following TM participation is proposed in Chapter 5. This framework is used as the background to the development of hypotheses. Within this framework, the lag time effect between promotional activities and changes in sales patterns is taken into account through a longitudinal design.

To conduct this investigation, it was necessary to gain access to firms that had recently participated in overseas TMs. In the UK, on average 2,500 exporters a year participate in overseas TMs subsidised by the Department of Trade and Industry (DTI) (DTI 1992, 1994, 1996). TMs subsidised by the DTI target a wide range of markets in various geographic regions, except markets in the European Union (EU). These countries are considered as an extension of the domestic market and present fewer risks than markets in more geographically and psychologically remote areas.

The focus of the survey conducted in this thesis is small and medium-sized enterprises (SMEs), which are the firms primarily targeted by overseas TMs in the UK. It has been demonstrated that most SMEs lack the financial and human resources needed to successfully venture into foreign markets. However, these firms offer the greater potential for export development and job creation (Hollensen 1998). Their small size is compensated by flexibility and the capacity to innovate that, together with some incentive from public funds, can help in their endeavour to export. Most governments,

therefore, focus on their SMEs to help improve the country's international trade situation. For the purpose of this thesis, the London Chamber of Commerce and Industry (LCCI) provided access to these SMEs. The LCCI is the largest Chamber of Commerce in the UK with approximately 4,000 members spanning a wide geographical area.

1.5.2 Data Collection Process

The investigation was carried out on a sample of 190 firms that participated in overseas TMs subsidised by the DTI and sponsored by the LCCI in 1996. A total of 12 TMs targeting the regions of Central and South America, Eastern Europe, South-east Asia, and Western Africa were surveyed.

Observation during the pre-departure briefing meeting organised by the LCCI four to six weeks before the TMs helped provide a better understanding of the issues at stake in TM organisation and participation. Observation was also instrumental in developing a strategy for the administration of the questionnaires.

In order to test the model suggested above, it was necessary to collect a large amount of data. For this reason, data was collected through survey. The survey was divided into two main stages. In the first stage, a questionnaire was mailed to participants upon their return from the TMs. The purpose of this questionnaire was to capture data on firms' structural and knowledge characteristics, market characteristics, and TM outcomes. The second phase consisted of sending a follow-up questionnaire to the respondents to the first enquiry. This questionnaire investigated the follow-up activities carried out by firms after the TMs, as well as the knowledge and competence acquired from the TMs, and actual and estimated future export performance. This second questionnaire was developed following a series of interviews with participants.

1.5.3 Data Analysis

Data was analysed with recursive regressions to identify the variables that have the most impact on various stages of the TM process. To this end, the analysis was divided into three parts. The first phase of the analysis consisted of identifying the factors that

were most likely to influence TM outcomes. These outcomes were then included in the second phase of the analysis, together with follow-up activities, to assess the impact of these variables over time on export performance. The time lag between TM participation and the evaluation of impact was taken into account over three periods in the six, twelve, and twenty-four months following the TMs. Finally, the group of firms with previous experiential knowledge about the markets targeted by the TMs was singled out from the firms that visited the market for the first time. The differences in objectives, behaviour, and performance between these two groups were then assessed.

1.6 CONTENTS

Chapter 1 sets the background to the study, its objectives as well as the main research questions. The remainder of the thesis is organised in the following manner:

Chapters 2, 3 and 4 present the background to the research problem. Chapter 2 mainly draws on the SMEs' literature as well as on the international marketing and the export behaviour literature to gain an understanding of SMEs' specific characteristics, their internationalisation process, the main barriers to export, and the acquisition of relevant knowledge to expand firms' operations overseas. The process and the importance of building relationships to have access to industrial networks are also outlined. In Chapter 3, a review of the role of EPPs in countries' trade policy and firms' export strategy is given. A specific export promotion programme, the overseas trade missions that are the focus of this thesis, is then presented. Chapter 4 presents a critical overview of the process of government programme evaluation and outlines the main considerations to take into account when designing evaluative research. Previous studies suggesting export performance models are also reviewed.

Chapter 5 draws on the previous three chapters to identify the research gaps and to develop the research questions and the objectives of the study. Together with desk research, observation and interviews served as the basis to develop the theoretical framework for the investigation and the hypotheses to be tested. The contribution and limitations of the theoretical framework are then discussed.

Chapter 6 covers the research methodology and design issues, including details of the TMs researched. Data requirements, data collection methods, and the research process are explained in detail. Justification for the variables used in the study are provided. The analysis of the response rate and non-response error concludes the chapter.

Chapters 7 and 8 present an extensive analysis of the results of the testing of hypotheses and discuss the findings regarding the variables that influence TM outcomes, the impact of TMs participation on export performance and the differences in behaviour, TM outcomes, and export performance between exporters that had previous market specific experiential knowledge and those that had not.

Chapter 9 concludes the thesis with a discussion and interpretation of the findings as well as the contribution to knowledge that resulted from this study. Implications for exporters, government programme designers and implementers, and TM managers are also highlighted. The chapter ends with suggestions for further research in the field of the evaluation of government support for international trade promotion.

2. FIRMS' INTERNATIONALISATION STRATEGIES

2.0 INTRODUCTION

This chapter, together with Chapters 3 and 4 provide a background to the research by reviewing the relevant literature. Chapter 2 covers more specifically SMEs' characteristics and their internationalisation process. Chapter 3 compares Export Promotion Programmes (EPPs) and their rationale in a number of industrialised countries. In Chapter 4, issues concerning the evaluation of EPPs are raised.

An extensive literature on SMEs characteristics and management exists. However, since this literature is not central to this thesis, only a highlight on this topic is provided to explain SMEs' characteristics and how these may have an impact on their motives to internationalise (Section 2.1). Section 2.2 gives an overview of the export decision process and explains the various stimuli and barriers faced by internationalising SMEs. Section 2.3 reviews the various types of export knowledge (i.e. general, objective, experiential) firms may acquire before embarking on an international venture and the sources of such knowledge. This section also explains how export knowledge can be related to export performance. The next section (Section 2.4) looks at the 'stage model' of internationalisation, internationalisation through networks, and the context of international marketing.

2.1 SMES AND EXPORT BEHAVIOUR

2.1.1 Characteristics of SMEs

Export promotion programmes are aimed primarily at SMEs as these firms present specific characteristics that may prevent them from implementing successful export strategies on their own.

Several definitions of SMEs have been proposed (Ganguly 1985, Storey 1994). However, for the purpose of this thesis, the DTI working definition will be used: SMEs are firms with less than 500 employees (DTI 1996b).

SMEs are typically characterised by a managerial style centred around the owner's personality, limited resources, and flexibility to react quickly to environmental changes. These characteristics are now explained in more detail.

2.1.1.1 Management Style

Entrepreneurship has been defined as 'the process of creating value by bringing together a unique package of resources to exploit an opportunity' (Caruana et al. 1998). Entrepreneurs have been described as innovators, change agents, calculated risk-seekers that have the ability to identify windows of opportunities and to exploit them profitably (Carson et al. 1995). Creating a firm is for many individuals the result of an inner desire to perpetuate oneself (Sala 1999). However, in order to be successful, entrepreneurs need to project to the world an image of honesty, a vision, a number of competencies in various domains, and the ability to inspire (Kinni 1994).

The entrepreneur's management style is closely linked to his personality, and it is this personality which will determine the success or failure of the firm (Miner 1997, Sala 1999). Several entrepreneurial profiles have been identified (Barrow 1993, Miner 1997). Miner (1997), for example, identified four types of entrepreneurs: personal achievers, empathic supersales-people, real managers and expert idea generators. Some entrepreneurs may present a combination of the various patterns. Miner's survey (1997) demonstrated that strong personality patterns were associated with entrepreneurial success, and the more patterns, the more successful the firm.

SMEs' growth patterns alternate between evolutionary and revolutionary stages (Dewhurst and Burns 1993). At each stage, the owner should reassess his personal and corporate goals and adapt his management style to the changing internal and external environments. The evolution of SMEs' management processes can be placed on a continuum, starting with opportunistic and ad hoc behaviours reflecting the owner's desires and impulsion and leading to the establishment of formal strategies and delegation of power. Strategies should, however, remain flexible to prevent the stiffening of the entrepreneurial spirit (Caruana et al. 1998).

2.1.1.2 Resources

Building a successful organisation requires a long-term effort and the ability to acquire, develop, and maintain relevant competencies in areas where the owner and his key staff possess weaknesses. Entrepreneurs acquire specialised skills through experience or training. They would tend to launch their new ventures in their field of expertise and acquire complementary skills through key personnel. However, SMEs often experience skill deficiencies, causing the owner/ manager and the employees to have to perform several functions without the required knowledge or training (Scott et al. 1996). Furthermore, the entrepreneur is generally heavily involved in the day-to-day operations of the firm and often lacks time to consider strategic issues. As a consequence, the firm may encounter difficulties in planning proactive moves and building a competitive advantage.

SMEs also lack financial resources. SMEs start with a limited amount of capital provided by the owner and private sources. This capital quickly becomes exhausted with limited opportunities to raise more funds. Unless the owner can provide collateral, banks are reluctant to finance new ventures as the failure rate is high. Among 293 firms that were surveyed in 1979, 42 per cent were no longer in existence in 1990 (Smallbone and North 1995). Another source of capital is venture-capital. Venture-capitalists favour firms that possess an element of uniqueness from which rapid growth could be secured. As a consequence, this is not a feasible alternative for the majority of SMEs (Mason and Harrison 1994). Furthermore, entrepreneurs do not always want to release ownership, even only part of it (Gray 1993).

Another consequence of limited resources and small size is the lack of purchasing power experienced by SMEs. SMEs cannot impose their conditions on suppliers and customers or exert great influence on the environment. Instead, they may have to bend to sometimes demanding requirements.

Resource shortfalls and small size imply that SMEs cannot afford to make mistakes as these could be fatal. As a consequence, entrepreneurs engage in calculated risk-taking. They thrive at finding and pursuing opportunities. However, they are aware of the risks and shift between the gambling individual and the pater familias.

2.1.1.3 Flexibility

Small size also has its advantages, as shown by the number of success stories reported in various publications and displayed on store shelves (Overseas Trade September 1998). Small size means that information flows freely between individuals within the firm and between significant other firms which are part of a network. This information may not be collected systematically and scientifically as suggested in marketing research textbooks, but intuitively. Entrepreneurs are looking for information that is directly relevant to the problem at hand. Their preferred mode of information collection is through personal contacts with members of their networks (Carson et al. 1995) - the role of networks is explained in more detail in Section 2.3.2. Since SMEs tend to be flat organisations without burdensome administrative processes, they can react quickly to information related to environmental changes and remain closer to their customers. For example, higher prices could be offset by personalised services and the ability to closely meet customers' needs. SMEs have, therefore, the flexibility to serve niche markets which may not be of interest to larger corporations. The danger, however, is to depend on a few large customers instead of spreading the markets and the risks.

The SMEs characteristics briefly reviewed above are now expanded upon in the context of internationalising SMEs.

2.1.2 Characteristics of SMEs Influencing Export

The reasons why some SMEs are more likely to export than others have been investigated at length by a number of authors (Cavusgil 1982, 1984b, Reid 1980, 1981, Yang et al. 1992). Various export decision models were proposed, each of them trying to identify significant variables that would encourage SMEs to explore foreign markets (Cavusgil 1982, Dichtl et al. 1984, Garnier 1982, Pavord and Bogart 1975, Wiedersheim-Paul et al. 1978). Among these variables, the firm-centred variables most often mentioned as influencing the export process were firm's characteristics and decision-maker's characteristics.

2.1.2.1 Firms' Characteristics

Findings concerning firms' size and its impact on export attitude and propensity were mixed (Ali and Swiercz 1991, Bilkey 1978, Calof 1994). It was found that size influenced the amount of resources available, and therefore could play a positive role in a firm's export propensity and expansion (Cavusgil 1982, Cavusgil et al. 1979, Keng and Jiuian 1989, Miesenbock 1990). More specifically, size was linked to a firm's propensity to acquire relevant export knowledge and competence, which in turn, might influence export success. This was especially true for SMEs where export knowledge and resources to acquire it were scarce (Seringhaus 1996).

However, the impact of firms' size on export performance was not always conclusive (Aaby and Slater 1989). Czinkota and Johnson (1983) demonstrated that firms' size measured in annual sales volume was not a determinant of export success. Instead, export success was found to be dependent upon the attitude of management. Culpan (1989) measured Pennsylvanian firms' size in terms of number of employees. From his survey, small firms were found to have less success in export than did medium-sized firms. Small firms also required different information sources. Still, size was not a discriminating factor in terms of export products and export markets served by these firms. Other results (Cavusgil 1982, Reuber and Fisher 1997) confirmed that firms' size was not a good predictor of international activities. These results could be explained by the fact that managers of small firms were found to be no less export-oriented than managers of larger firms (Abdel-Malek 1978).

Therefore, firms' size should not be considered as a major barrier to export activity. However, in order to achieve export success, firms should adjust their strategies to enhance their internal strengths and minimise their weaknesses. Therefore, size would influence the type of international strategies firms should pursue, but not their performance (Culpan 1989, Namiki 1988).

2.1.2.2 Decision-maker's Characteristics

Decision-makers' foreign orientation, that is their openness towards international ventures, was found to be central to the adoption of export as a firm's strategy, its further expansion into foreign markets (Cavusgil 1984b, Garnier 1982, Lim et al. 1991, Pavord and Bogart 1975, Reid 1980), and export success. Internationally-minded managers tended to have been exposed to foreign environments either by birth, education, or business experience. They were more likely to speak foreign languages, be younger and be more highly educated than those with more negative attitudes towards export or non-exporters, and were more often found in exporting companies (Cheong and Chong 1988, Keng and Jinan 1989, Reid 1981). A recent study conducted in the US confirmed the findings concerning managers' education (Moini 1998). It was demonstrated that 87 per cent of executives in successful exporting firms either were college graduates or had post-graduate degrees. This is to be compared with the qualifications of executives in non-exporting firms: only 52 per cent of these executives have a Bachelor's degree or higher. As a consequence, colleges and universities have a role to play in the development of successful exporting firms as these firms generally employed more highly educated executives. In Germany, managers of the successful 'Mittelstands' combined technical competence with managerial leadership and marketing skills (Simon 1992). It was also demonstrated that SMEs led by management with international experience used more foreign partners and obtained foreign sales soon after start-up (Reuber and Fischer 1997). To achieve these results, the managers of these SMEs used the networks they have established in the past (O'Farrell et al. 1998).

Contrary to these findings, Brooks and Rosson (1982) found that the characteristics of decision-makers in exporting or non-exporting Canadian firms were not significantly

different. Dichtl et al. (1984) and Reid (1981) concluded that foreign orientation acts as a filter to internal and external stimuli and could result in negative or positive attitudes toward foreign expansion depending on the managers' past experience.

It was also demonstrated that commitment to exporting was instrumental to export success (Louter et al. 1991). Such a commitment would generally lead to higher perceived profitability of exporting (Koh 1991). Furthermore, management perception and expectation concerning the effect export might have on firms growth, market development, and profits were found to be linked to the expansion of export activity (Aaby and Slater 1989, Căvusgil 1984b). Johanson and Vahlne (1977, 1990) demonstrated that export commitment happens in incremental phases which are linked to the experience and the knowledge gained in the market.

2.1.3 The Export Decision Process

Firms' fundamental decision for exporting is to make money, and as a consequence, to increase their propensity for survival as shown by Smallbone and North (1995). There are a number of factors that may trigger SMEs internationalisation process. The more conservative firms may react by default to environmental factors that project them into the international arena without being fully prepared. The more proactive firms purposely look for export opportunities and include export in their growth strategy. These are known as reactive and proactive stimuli to export.

2.1.3.1 Reactive Stimuli

Firms that consider export with a short term strategic outlook would tend to use this strategy to overcome temporary difficulties in the domestic market and take advantage of passing opportunities. Overseas markets would be considered as short term opportunities when SMEs are confronted with internal pressures such as excess capacity or excess inventory. External stimuli such as stagnating domestic sales or increased competition both from national and global firms may encourage SMEs to look overseas. Managers may also want to take advantage of favourable currency movements and unsolicited orders. It was found that some of the most common external stimuli were unsolicited orders from foreign customers (Brooks and Rosson

1982, Joynt 1982, Simpson and Kujawa 1974, Tesar and Tarleton 1982), or increased competition in domestic market (Joynt 1982). However, Koh and Robicheaux (1988), have shown that in the US the percentage of firms initiating export through unsolicited orders had declined. This suggested that these firms had become more pro-active in their search for export opportunities.

There are inherent risks associated to these problem-oriented strategies. SMEs may not have the time or the ability to research the markets properly. As a consequence, payment for their goods and services could be jeopardised or expensive recourse to remedy the problems may wipe out any anticipated profits. SMEs could also damage their reputation in the markets and endanger future market entries when foreign partners sense that there is no commitment.

2.1.3.2 Proactive Stimuli

Proactive firms would use their internal strengths to systematically explore new grounds and recognise foreign market opportunities to expand further (Katsikeas 1996). A proactive attitude toward export implies that firms engage in extensive planning activities, which in turn have been linked to performance (Malekzadeh and Rabino 1986).

SMEs may want to systematically investigate overseas markets when they have developed a competitive advantage from one or several of their value chain activities (Porter 1985). Unique products or services and the ability to easily modify products for export markets are sources of strengths SMEs should exploit to expand internationally. Expansion to foreign markets may also generate economies of scale, which in turn could increase firms' global competitiveness. It has been demonstrated that managers' desire for and enthusiasm toward overseas expansion, that may have been caused by their origins, past experience, and education, drive SMEs' internationalisation process (Cavusgil 1984b, Garnier 1982, Lim et al. 1991, Pavord and Bogart 1975, Reid 1980). Changes in environmental factors could also offer long term opportunities for SMEs. More favourable trade policies and foreign country regulations led to the opening of markets in Asia and Eastern Europe. SMEs should not expect a fast return on investment from these countries. They should instead perceive these opportunities as

investment for the future. Finally, various government programmes were designed specifically to encourage exporting among SMEs and may trigger the decision to thoroughly investigate new overseas markets. These innovation-oriented strategies are more likely to set the pace for successful exporting among SMEs (Katsikeas 1996). A summary of the various stimuli is presented in Table 2-1.

Table 2 - 1: Types of Export Stimuli

Behaviours	Internal Stimuli	External Stimuli
Reactive Problem-oriented	Excess capacity Excess inventory	Unsolicited order Adverse domestic conditions Favourable currency movements
Proactive Innovation-oriented	Competitive advantage Unique Products Ability to modify easily products for export markets Economies of scale Exclusive information Export-minded managers	Attractive profit and growth opportunities Foreign country regulations Government programmes

Source: Adapted from Katsikeas 1996, Czinkota and Ronkainen 1995.

2.1.3.3 Export Barriers

The expression 'Fear of the unknown' summarises why SMEs hesitate to venture into foreign markets (Hanley 1996). Whereby some factors encourage SMEs to expand internationally, others may act as deterrent to overseas ventures. Due to their limited resources, SMEs are sometimes reluctant to commit themselves to ventures which are perceived as riskier than the domestic ones, and about which they do not possess relevant knowledge or lack the ability to acquire it.

These perceived difficulties are commonly known as export barriers. These are generally classified as motivational, informational, and operational barriers (Cavusgil 1983a, Seringhaus and Rosson 1990a). Motivational barriers are linked to the perceived risks of doing business in foreign markets, informational barriers are related to the lack of information the firm possesses about foreign markets, and lack of sufficient export resources are known as operational barriers. Furthermore, Ramaswami and Yang (1990) demonstrated that the perception of barriers to exporting is similar in small and medium-sized firms; in other words, and to a certain extent, size does not influence the way these barriers are perceived.

However, as firms gain export experience, the level of perceived barriers changes. On the one hand, non-exporting SMEs were found to be concerned primarily by their lack of market knowledge (Kedia and Chhokar 1986) and the difficulty of determining foreign opportunities (Tesar and Tarleton 1983). On the other hand, exporting SMEs reported competition, a strong domestic currency (Kedia and Chhokar 1986) and the difficulty in obtaining adequate representation in foreign markets (Tesar and Tarleton 1983) as the main inhibitors to market expansion. Simpson and Kujawa (1974) and Gray (1997) suggested that state-supported TMs (which will be explained in Section 3.3) had a role to play in decreasing the perceived barriers among non-exporters or less experienced exporters and therefore stimulated the export decision among SMEs.

As seen previously, one key instrumental factor influencing export involvement is the export orientation of management. It is in fact how managers react to such stimuli and the interaction between the factors outlined above that will motivate firms to export (Aksoy and Kaynak 1994, Cavusgil 1984, Katsikeas 1996). Given some pre-disposition to export, managers will enhance their understanding of foreign markets by acquiring relevant knowledge. This topic is developed further in the next section.

2.2 KNOWLEDGE ACQUISITION AND EXPORT INVOLVEMENT

(...) the attitudinal and behavioural differences found among the exporters are related to learning. (Keng and Jiuan, 1989 p. 38)

2.2.1 Need for Market Knowledge

The body of knowledge necessary for export expansion is linked to market knowledge defined by Carlson (1974, cited in Denis and Depelteau 1985, p. 78) as: "knowledge that relates to present and future demand and supply; competition and channels of distribution; payment conditions and transferability of currency among foreign markets." Lack of market knowledge was found to be the most significant inhibitor to export expansion among SMEs (Kedia and Chhokar 1986) or the most important contributor to failure in the international marketplace (Czinkota and Ronkainen 1993).

There are three types of knowledge, depending on the way knowledge is acquired - objective knowledge, experiential knowledge, and general knowledge. Objective

knowledge is taught or acquired through the use of secondary or published information while experiential knowledge can be acquired through personal experience only. Experiential knowledge is believed to be more appropriate for less structured and well defined environments, in the fields of marketing and management, for instance. Johanson and Vahlne (1977, p. 28) explained the importance of experiential knowledge for market expansion: "On the basis of objective market knowledge, it is possible to formulate only theoretical opportunities; experiential knowledge makes it possible to perceive "concrete" opportunities - to have a "feeling" about how they fit into the present and future activities." In the same stream of thought, researchers in psychology have demonstrated that attitudes based on direct experience are more likely to serve as guides to lasting behaviour than are attitudes based on indirect experience (Fazio and Zanna 1981). These two types of knowledge increase the amount of general knowledge stored by each individual; general knowledge being acquired through related experience. Following the definition of the various types of knowledge, a more detailed discussion on the way knowledge is acquired seems appropriate.

2.2.2 Knowledge Acquisition

Knowledge is acquired through information sources of various types. Souchon and Diamantopoulos (1996) identified three major information sources from which export market knowledge could be acquired: (1) export assistance, (2) export market research, and (3) export market intelligence. These information sources are available from a number of public and private institutions. Most governments offer subsidised programmes that give companies access to the sources of information mentioned.

Export assistance is secondary information available, generally at low or no cost, from various public and private sources. This takes the form of statistics, country reports, market profiles, market studies with general scope. Export market research is a formal and systematic way of collecting specific primary information about export markets. It can be commissioned to private consultants or home country government agencies located in the target markets. This type of information is generally quantifiable, and customised to the needs of individual companies. It can be costly, depending on the level of detail required. Export market intelligence is a more informal gathering of

market data through agents, distributors, and contacts in the market or persons who have experience in the market such as Commercial Officers. Access to relevant market intelligence is facilitated when firms have been accepted into the appropriate networks within their industry sectors. Individual visits to the markets or participating in trade missions and trade fairs are necessary to gain access to these networks.

SMEs generally acquire knowledge about foreign markets more intuitively than systematically (Cavusgil 1984a). It was also found that their investigations are less thorough than information acquisition about the domestic market and that a variety of information sources are used (Reid 1980). In Crick and Katsikeas' survey (1995) as well as in Hart and Diamantopoulos' (1993), 75 per cent of the SMEs investigated have reported to be involved in some kind of export marketing research. Crick and Katsikeas' sample of firms (1995) primarily collected intelligence about foreign markets through their own sales force, foreign agents, and trade exhibitions. Fifty per cent used government departments to collect data on specific markets. However, only 13 per cent used market research agencies because of the cost of market research and the limited resources these firms possess (Moseley 1996).

Often, SMEs start their foreign market investigations through their social network (Holmlund and Kock 1998). The entrepreneur or a key executive initiates the international activities by relying on their personal contacts. This would be followed by low-cost desk research conducted in-house. They would then move to field research conducted in the targeted markets by travelling decision-makers "to smell, taste and feel what makes the market different" (Moseley 1996, p. 16). This approach to intelligence gathering has been qualified by Carson and Coviello (1996) as 'artistic' in that only specific information relevant to the firm's narrow market is collected. The interpretation of this information, far from being scientific, is derived from the entrepreneur's personal experience.

2.2.3 Use of Information Sources

The purpose of the use of information sources is to help in the decision-making process within the firm (Parasuraman 1991). O'Reilly (1982) demonstrated that frequency of

use of an information source is a function of its accessibility. Furthermore, in the same study, it was demonstrated that the perceived quality of the information was a function of the rated importance of the information source. Frequency of use was also linked to difficulty and cost of implementation (Larsen 1985).

In an export context, awareness and use of the available sources of information, especially the public ones, have generally been reported as low (Seringhaus and Rosson 1991b). This seems to be endemic to several governments. In the US, the UK, Canada, and Austria, studies demonstrated that a gap existed between demand and supply of export services provided by the governments (Crick and Czinkota 1995, Czinkota and Ricks 1981, Seringhaus and Botschen 1990). In Italy, low level of usage was related to the low quality of information provided and its obsolescence (Sbrana and Tangheroni 1990).

Reid (1984) pointed out that some information sources were favoured by SMEs with export potential. Among such sources, 91 per cent of the sample agreed on the importance of personal visits to foreign markets for gathering export information. "Foreign visits to potential end-users and distributors seem to be one of the best way of gathering this information." (Cavusgil 1984a, p. 276). Exporters have perceived intelligence gathering from the market as information with high relevance to their field, and as a consequence, high value.

Linking information use to decision-making implies that a number of other factors, especially those external to the firm, may influence outcomes and should be considered. Therefore, "[t]he way in which information is used and the *time* at which information is used may vary considerably among situations." (Larsen 1985, p. 144). Moreover, information use also involves situations in which the information is discarded after having been evaluated, as it is not considered to bring added value to the decision process (Deshpande and Kohli 1989).

The underlying purpose of linking information to the decision-making process is to maximise export performance. An important factor which is instrumental in export performance, besides the quality of information, is the effectiveness of information

utilisation (Hart and Diamantopoulos 1992): “[e]xperience is not what happens to a man, but what a man does with what happens to him” (Knox 1998).

A number of researchers agreed that exporters’ most valuable information-gathering is experiential information gathered in the field and this type of information is positively linked to export performance (Denis and Depelteau 1985, Reid 1984, Johanson and Vahlne 1977). Denis and Depelteau (1985) found that new exporters experiencing the fastest growth relied heavily on attendance at trade fairs and trade missions.

Figure 2-1 summarises the above discussion and shows how knowledge acquisition influences export performance. Once firms begin considering export, their awareness of possible sources of information increases. Managers’ backgrounds and their formal and informal belonging to networks would lead firms to favour certain types of information sources. The first step should be to look at sources providing export assistance. Then export intelligence should be collected about markets presenting the most significant potential. Export intelligence can be gathered from individual visits or from participation in trade fairs and TMs. These two types of knowledge (objective and experiential) would then increase the amount of general knowledge acquired from past experience. Finally, the above process should lead to increased export performance.

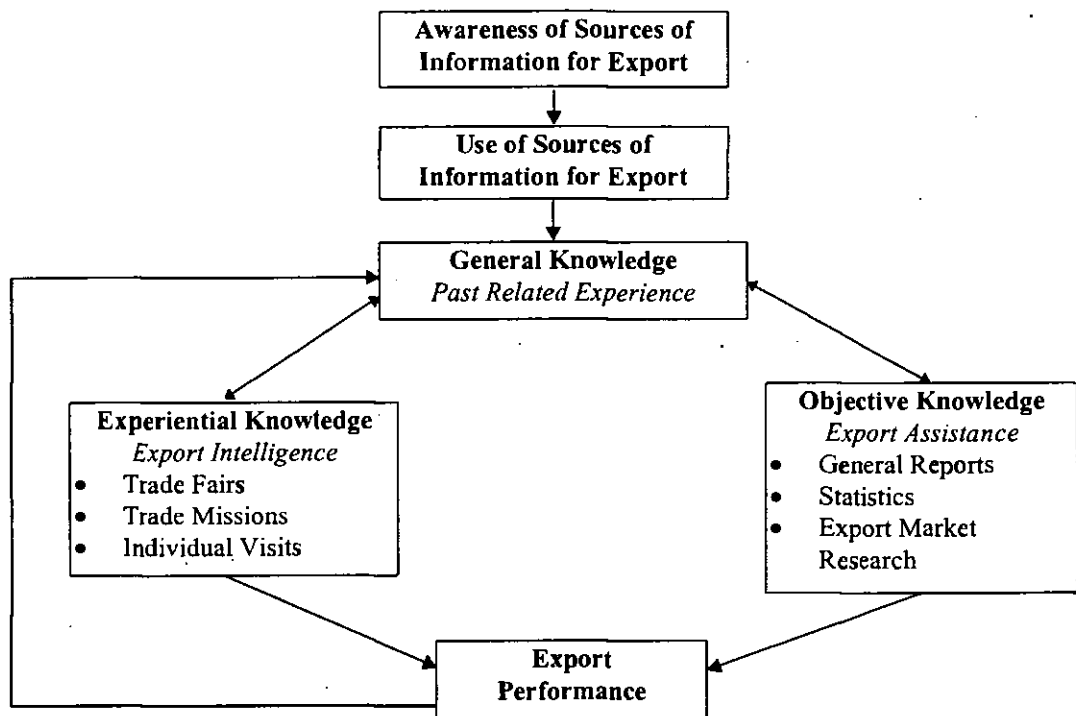


Figure 2 - 1: The Process Of Knowledge Acquisition In An Export Context

2.3 THE INTERNATIONALISATION PROCESS

Market globalisation, convergence of customers' tastes, and advances in technology have increasingly provided opportunities for firms to embark on the internationalisation path. Various patterns of internationalisation have been put forward: the most common ones are the 'stage model' of internationalisation and internationalisation through networks.

2.3.1 The 'stage model' of Internationalisation

Some authors have developed various 'stage models' of export involvement (Bickley and Tesar 1977, Johanson and Vahlne 1977, Cavusgil 1982, Czinkota and Ronkainen 1993). A full review of these models was given by Leonidou and Katsikeas (1996). These models suggested that firms progress from non-exporters to committed exporters in a planned and systematic manner. The Nordic School demonstrated that firms export

first to psychologically close countries and expand later to more distant markets in a concentric mode as additional experience and knowledge were acquired (Johanson and Vahlne 1991). In their model, Johanson and Vahlne (1977) suggested that firms increased their commitment to a market as their experiential knowledge about the market grew. It was therefore implied that a learning process took place and that increased information reduced uncertainty about a market. However, these models did not allow for retrenchment from foreign involvement. Furthermore, Erramilli (1991) found that service firms would fit this concentric development pattern originally designed for manufacturers.

Although these models reflected export behaviours in earlier times, they no longer provide an accurate picture of the actual process of internationalisation at the end of the 20th century. On the one hand, globalisation of markets and increased speed in communication make it easier and sometimes necessary for firms to commit themselves sooner and more fully to international markets. Some firms are born international (Levitt 1983, Terpstra 1987). On the other hand, adverse environmental conditions in home country or abroad, better opportunities, increasing intensity of competition, or poor planning, may force firms to retrench and abandon some of their foreign positions. Lee and Yang (1990) and Reid (1987) demonstrated that distance was no longer an inhibiting factor for all companies, and therefore, a less systematic export expansion mode was seen increasingly more often.

Turnbull (1987) criticised the 'stage model' and demonstrated its non-applicability to 24 UK-based firms operating in France, Germany, and Sweden. The export involvement of these firms was found to be firm- and market-specific rather than fitting an orderly pattern across the sample studied. This confirmed findings from Reid (1987) in his study of Italian exporters. Bell and Young (1996) also criticised the 'stage model'. They alternatively proposed a spectrum in which firms can move back and forth from unplanned, reactive, opportunistic and instinctive international marketing decisions to planned, proactive, systematic and rational ones.

Despite their limitations, 'stage models' are important for classification purposes rather than for explanatory evidence of the internationalisation process. They demonstrate the

different motivational, informational and operational needs that are linked to the various stages of the internationalisation process. Public policy implications of these models are that governments should better segment their target audience and tailor their programmes to the needs of firms at each stage of the internationalisation process (Crick 1995, Czinkota and Johnson 1981, Naidu and Rao 1993).

2.3.2 Internationalisation Through Networks

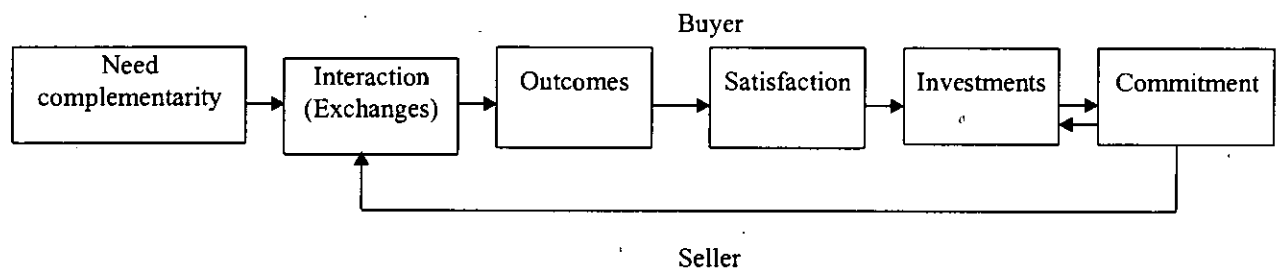
Internationalisation through networks focuses on the acquisition of experiential knowledge through interactions between business partners and the development of long-lasting relationships.

The establishment of long-term relationships is instrumental in the development of international business because of the greater geographical and psychological distances. Long-term relationships are generally based on commitment and trust, which in turn develop from the exchange of information between business partners. The exchange of information is necessary to confirm mutual interest between the parties and the willingness to start or continue doing business with each other (Axelsson et al. 1992). Håkansson (1982) identified four types of exchanges: (1) product or service; (2) information; (3) financial; and (4) social exchanges. The ultimate purpose of the relationship is to exchange products or services against money. However, in order to successfully achieve this goal, the exchange of information is necessary to assess the level of commitment and trust that can be invested in the relationship.

Hard commercial and technical information is generally exchanged with impersonal means (fax, mail, telephone). Soft data, which may be more relevant for strengthening the relationship and assess the capability and complementarity of the business partners require personal face-to-face interaction (Ford et al. 1990). As a consequence, business travel remains a necessity in spite of the various technological devices that facilitate international communications (Axelsson et al. 1992).

The literature on network theory explains the complex process leading to relationship development between buyers and sellers. The business partners go through various stages to build the relationship. Wilson and Mummаланeni (1990) suggested the

following framework of relationship development (Figure 2-2): first, buyers and sellers contact each other because of the complementarity of their needs. Then, they start interacting to meet each other demands. If the outcomes are satisfactory, additional investment is put into the business relationship, which in turn strengthens the commitment between the partners. However, this process can be altered by the external environment as well as by the firms' and industry's specific characteristics (Cunningham and Turnbull 1982).



Source: Wilson and Mummalaeni (1990)

Figure 2 - 2: The Development Of Buyer-Seller Relationships

The whole process of relationship building, although time consuming, is worthwhile in the long run. Long-term business partners act as mutual 'hostages' and this decreases the need for formal, legal agreements between the partners (Choi 1994). The acquisition of in-depth knowledge about the partners also allows for the adaptation to each other's needs, which results in lower costs, greater efficiency, and higher profits (Håkansson 1982, Håkansson and Snéhotá 1989). Interpersonal contacts may be used to solve crises. Close business relationships may influence the outcomes of a crisis when the regular channels do not work (Cunningham and Turnbull 1982). Long-term business relationships also create barriers to entry in the network, therefore lowering the threat of increased competition. Young (1995) has suggested that well planned trade fairs and TMs are valuable for the networking process.

2.3.3 The Context of International Marketing

Building lasting relationships through networks involves the development and implementation of long-term international marketing strategies as “success in international business is built on the proper application of sound marketing principles.” (Dahringer and Mühlbacher 1991, p. 1)

First, defining the term international marketing seems appropriate. Several definitions of international marketing have been suggested. For Czinkota and Ronkainen (1993, p. 5): “International marketing is concerned with planning and conducting transactions across national borders to satisfy the objectives of individuals and organisations”. This definition seems to limit international marketing to the selling of goods in international markets. A broader definition has been suggested by Tepstra and Sarathy (1994, p. 4):

International marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international, and of coordinating marketing activities within the constraints of the global environment.

Johanson and Gunnar-Mattsson define international marketing within the context of networks (1995, p. 51):

(...) international marketing concerns the exchange of goods and services with actors from more than one country involved. International marketing therefore involves crossing national borders, operating in ‘foreign’ markets and dealing with interdependent activities in several nations.

These last two definitions go beyond the application of the ‘4Ps’ in an international context, which is a static approach. They emphasise the dynamics of international marketing. International marketing activities cannot be considered in isolation from each other. They are thoroughly interlinked within firms and across countries. As a consequence, international marketing decisions have to consider the micro-environment of the firm (its resources and capabilities) and its relationship with its macro-environment (such as competitors, country risk, and market demand) (Håkansson and Snehota 1989). Within this context, internationalising firms face a number of decisions concerning market entry modes, marketing mix strategies and the implementation and control of these strategies.

Firms can use a variety of market entry strategies to internationalise. Driscoll (1995) classified these strategies in three groups: export, contractual and investment strategies. These strategies differ on a number of factors, namely the level of control and ownership firms wish to exercise on the foreign operations, the perceived risk of know-how dissemination, the resources to be committed to foreign markets, and the flexibility of changing strategy. The choice of market entry strategy is dictated by firms' internal characteristics (such as size, export experience and international orientation) as well as environmental factors (such as market conditions and competitive situation) (Kwon and Konopa 1993).

This thesis is mainly concerned with export strategies as the firms investigated are in the early stages of the assessment of new market opportunities. Typically, firms would start doing business in a new market through exports, which is a low-risk entry mode. Two major types of export channels may be identified: indirect and direct export channels (Hollensen 1998).

- Indirect export consists of selling to an intermediary which is located in the manufacturer's own country. The intermediary takes care of all the export activities. This mode gives easy access to export markets but restricts the manufacturer's control over the marketing of its products overseas.
- Direct export consists of selling through agents or distributors in foreign markets. In that case, manufacturers or service firms deal with the export process (i.e. documentation, transportation, insurance) and may co-operate with their foreign partners to decide on the best marketing strategies to implement in each market.

Direct export is a common strategy used by SMEs. It involves having a local representative in the foreign market who understands market needs, has the relevant contacts, and can feed back market intelligence to the firm (Holmlund and Kock 1998). It is also a low-cost entry strategy as agents are generally paid on commission and distributors take title of the goods. As a consequence, no outlay of capital is necessary. The exporting firm can decide with the local representative the level of involvement and control on the marketing strategy each partner maintains in the market. Finally, agency agreements are short to medium term and can be easily altered or cancelled

upon expiration or when problems are encountered. Therefore, this mode of entry provides the flexibility to adapt entry strategies to changing environments.

Successful exporting does not just involve researching foreign markets and selling to them, but encompasses the whole spectrum of international marketing expertise. Generally, authors favour a planned and systematic export strategy with a medium- to long-term time horizon (Albaum et al. 1994). Such an approach involves market screening and selection, strategy development and implementation, and control of export activities (Darling et al. 1997).

The export literature emphasises the need for rigorous marketing research to support export decisions (Hart and Diamantopoulos 1993, Hibbert 1985, Korey 1995). However, in practice, small firms tend to have an eclectic approach to conducting marketing research (Cavusgil 1984, Crick and Katsikeas 1995) as explained in Section 2.2.

The debate concerning the standardisation versus the localisation of the marketing mix is on-going for firms acting in international markets. According to the network approach to internationalisation, buyers and sellers should reach an acceptable level of trust and commitment so that mutual benefits could be generated from the relationships. Levitt's view on the subject (1983) is that firms should look for commonality in customers' tastes and present standardised offers to various markets. This approach would lead to the development of a sustainable competitive advantage in overseas markets (Walters and Toyne 1989). Other studies have shown that adapting the marketing mix to local tastes would enhance customers' responsiveness and loyalty (Yavas et al. 1992). The most efficient strategy for international product development would be to design a core product which would be acceptable to a generic global customer and to adapt some elements of this product to local tastes or requirements (Walters and Toyne 1989). However, complete standardisation is difficult to achieve as a number of factors may dictate how the marketing mix should be adapted. Adaptation is mandatory when government regulations, taxes and political conditions are involved. Adaptation can be voluntary to meet the local climatic conditions, customs and usage (Albaum et al. 1994). In that case, the level of adaptation of the marketing mix could

depend on the level of dependence between the firm and its customers in the market (Hertz 1992).

Empirical research has demonstrated that managers of SMEs tend to use a standardisation policy for their marketing mix (Crick and Katsikeas 1995, Seifert and Ford 1989). This would imply that SMEs seem to consider their overseas markets as an extension of their domestic markets. As a consequence, they fail to make use of their major competitive advantage, which is the flexibility to adapt to local niche markets.

It has been suggested that the personnel involved in overseas operations should be dedicated to these markets and should have proper training and motivations (Reuber and Fisher 1997). Training includes cross-cultural experience and knowledge of foreign languages. Managers with an international orientation are most successful as they show a greater understanding of cultural differences and how these affect the way business is conducted (Axinn 1988). Managers with a geocentric attitude are more inclined to collaborate between the local, regional, and national networks of offices (Calof and Beamish 1994). This integration and exchange of information has become necessary to develop a competitive advantage in international markets (Tepstra 1987).

For exporters using direct exports, this implies involving their overseas agents and distributors in the network. As already mentioned (Crick and Katsikeas 1995), agents and distributors are the major source of market intelligence for SMEs. Keeping these overseas partners motivated consists of considering them as part of the firm's personnel, involving them in the development of the marketing strategy for their territory, keeping them informed of new developments within the firm, and visiting them regularly (Davis 1989, MANA 1984).

2.4 CONCLUSION

The purpose of this chapter was to set the stage for the thesis by looking at different aspects of firms' internationalisation processes. It was shown that SMEs characteristics in terms of resources and management style influence their exporting behaviour and that these characteristics act as a filter for export decision. A review of the export literature outlined that the acquisition of relevant knowledge at each stage of the

internationalisation process is instrumental to export success as this knowledge reduces export barriers which are the main hindrances to export expansion and performance, especially among SMEs. The chapter concludes with an explanation of internationalisation processes among SMEs and more specifically the 'stage model' of internationalisation and the internationalisation through networks. The emphasis is put on the establishment of long term relationships among foreign partners by developing appropriate strategies which take into account the firms' characteristics as well as the foreign environment and the foreign partners' characteristics.

The next chapter will be concerned with the role of export promotion programmes as these are the primary focus of this thesis.

3. EXPORT PROMOTION PROGRAMMES

3.0 INTRODUCTION

This chapter aims at providing an understanding of export promotion programmes (EPPs), their nature, their rationale, and their role in a country's economy. Section 3.1 explains the reasons why EPPs are offered by most countries. In Section 3.2, a comparison of various EPPs and the services offered to domestic firms in selected countries is given. The chapter concludes with an explanation of the export promotion programme which is the focus of this thesis - overseas trade missions - their purpose and their organisation in the UK (Section 3.3).

3.1 EXPORT PROMOTION PROGRAMMES IN THE UK

3.1.1 Background

The UK has always been a prominent trading nation. In 1995, it was the fifth biggest trader after the United States, Japan, Germany and France (The Economist 1995). Its percentage of world visible and invisible exports was 6.35 per cent. However, when compared to other industrialised countries, its trade balance was second lowest, a negative \$21 billion (Table 3-1).

The trade balance is directly influenced by the number of exporting firms in a country and the volume of exports generated by these firms. In the UK, out of 3.6 million

firms, 100,000 are exporting - a mere 3 per cent of all companies, all sectors combined¹. The same situation is experienced in other large industrialised countries. In France, 250,000 firms are exporters², in Italy 64,000 (ICE 1996, Sbrana and Tangheroni 1990), in Canada 62,000 or 7 per cent, in the US, 100,000 firms are exporters. In the Scandinavian countries, the situation is different because of the small size of the domestic market. In Sweden, 50 per cent of firms export.

Table 3 - 1: Comparison of UK trade with selected countries (1995)

Countries	Trading Position	% World Exports	Trade Balance
UK	5	6.4	(21)
US	1	13.9	(133)
Japan	2	10.2	142
Germany	3	9.5	45
France	4	7	7
Italy	6	4.7	32
Belgium/Lux.	7	4.1	4
Netherlands	8	3.4	13
Canada	9	3.1	8
Spain	13	1.8	(16)
Austria	15	1.4	(8)
Denmark	16	1.3	8
Sweden	17	1.3	8
Ireland	29	0.6	8
Finland	30	0.5	6
Portugal	33	0.5	(7)
Greece	44	0.3	(11)

Source: The Economist Newspaper (1995).

After the Second World War, governments around the world adopted a much more liberal approach to international trade. Several of them converted their protectionist policies to macro-economic measures to facilitate the transfer of goods between countries. This new policy was implemented through trade promotion, which has become a regular government exercise. Trade promotion has been defined as:

(...) all government and inter-government measures, by treaty or other arrangement, to increase the value or volume of world trade, to open up market access by lifting import

¹ This is according to the latest research conducted in 1996 by the Institute of Export based in London, UK.

² The percentage of exporters, however, was not available from COFACE.

restrictions, lowering tariffs and reducing or eliminating any other discriminatory measures restraining trade. (Hibbert 1990, ix)

At the micro-economic level, governments in industrialised countries developed EPPs to encourage firms to export and to promote a country's goods and services in foreign markets.

Over the years, the resulting trade liberalisation led to increased competition at home and abroad, both from traditional trading nations and from newly industrialised countries that had achieved world competitiveness. This situation, as well as downturns in the world economy generated large trade deficits among industrialised nations and a reduction of their shares of world exports.

3.1.2 Export Promotion Programmes

Nowadays, most countries, both industrialised and developing, offer EPPs to their firms. These programmes are characterised by their similarity and their low level of awareness and use by both exporters and potential exporters. As well, their impact has been questioned (Seringhaus and Rosson 1991a). The main differences among these programmes lie mainly in the way they are administered, which reflects the level of involvement of the state in the country economy. In France and Canada, for example, where the governments have high involvement in the economic affairs, the programmes are public. In the UK where the policy is more *laissez-faire*, the programmes are designed centrally by the government but the implementation is delegated to the private sector. UK Chambers of Commerce and Trade Associations sponsor trade missions and trade fairs. However, proposals were put forward to privatise some of these programmes (Financial Times, 18/19 January 1997). In Germany, export promotion is almost exclusively in the hands of the private sector, notably the Chambers of Commerce.

The objectives of EPPs are threefold: (1) to increase the level of export and therefore to increase the trade balance of the country; (2) to increase firms' chances of survival and their shares of world markets by making them more competitive; (3) to increase the tax base of the country from which the initial investment in export promotion should be recovered. EPPs are only one of the stimuli that will motivate firms to export, as seen

in Section 2.1.3. The following section will examine the role EPPs play in firms' export involvement.

3.2 UK EPPS AND COMPARISON WITH SELECTED INDUSTRIALISED COUNTRIES

As seen previously, the most important barriers to export involvement and expansion are related to the difficulty of acquiring relevant knowledge. As a consequence, government export promotion services should be designed with the objective of alleviating the three types of barriers mentioned: motivational, informational, and operational. In this section, a review of the export promotion services offered by the UK government is given, as well as comparisons with selected industrialised countries (Table 3-2).

EPPs being aimed at domestic firms, the information documents explaining the services offered are generally published in the language of the country. The countries were therefore selected on the basis of the availability of documents written in languages the researcher could read, namely English, French, Italian, Spanish, and Portuguese. After several attempts, documents could not be obtained from the Portuguese government. Information from the Swedish and the Finnish government were obtained from telephone interviews with trade commissioners based in Stockholm and Helsinki. The Austrian documents from the Federal Economic Chamber (FEC) were available in English.

EPPs in the UK are under the responsibility of the British Overseas Trade Board (BOTB). The BOTB was set up in 1972 and its main role is to advise both the Department of Trade and Industry (DTI) and the Foreign and Commonwealth Office with respect to overseas trade as well as the official export promotion programme. The UK EPPs are administered by the Overseas Trade Services. The Overseas Trade Services combines the export efforts of the DTI, the Foreign and Commonwealth Office, Scottish Trade International, the Welsh Office Industry and Training Department and the Industrial Department Board of Northern Ireland (DTI 1996).

Table 3 - 2: Comparison of government export promotion services offered among selected countries

Motivational Services	UK BOTB	Austria AFTO	Belgium OBCE	France CFCE	Italy ICE	Spain ICEX	Canada DFAIT	US DC
New Exporter Programmes						x	x	x
Assessment of language needs	x							
Informational Services								
<i>Objective Knowledge</i>								
Reference Library	x		x	x	x	x	x	x
Export Publications	x	x	x	x	x	x	x	x
Market Intelligence	x	x	x	x	x	x	x	x
Market Research	x	x		x	x	x	x	x
Procedures	x	x	x			x	x	x
Representatives	x	x			x	x	x	x
Company Profiles	x				x			
Training			x		x	x	x	
<i>Experiential Knowledge</i>								
Outward Trade Missions	x	x	x	x	x	x	x	x
Inward Trade Missions	x	x	x	x	x	x	x	x
Trade Fairs	x	x	x	x	x	x	x	x
Seminars	x		x	x	x	x		
Store Promotion	x		x	x	x	x		
Operational Services								
Export Documentation	x		x					
Export Credit Insurance	x	x	x	x	x	x	x	x
Publicity	x						x	
Adaptation of mix							x	
Overseas Projects	x					x	x	

Sources: DTI 1996a, FEC 1996, OBCE 1996, COFACE 1995, 1996, ICE 1996, ICEX 1996, DFAIT 1995, Department of Commerce 1996.

3.2.1 Services Providing Motivation to Export

In 1996, the OTS compiled a brochure of the services offered to both exporters and potential exporters, classified according to the various stages in the export process (DTI 1996). Motivational barriers were first addressed through an awareness section, aimed primarily at non-exporters. The benefits of exporting were outlined, followed by a checklist to assess a firm's readiness to export and the major issues to consider in the export process. The names and roles of the main public and private bodies who have

competence in providing guidance in export were then listed. A focal point for export assistance is the newly created Business Links.

Business Links follow a new trend in the diffusion of business support services. As will be discussed in Section 4.3.2, the marketing of public services to businesses has not been very efficient, resulting in low awareness and usage rates. Moreover, the sheer complexity of gaining access to the programmes, due to the number of providers and their specific requirements, deterred a number of small businesses from using them (MacDonald and Cook 1997). Consequently, the UK government has set up information centres where most public business support services are being promoted. Advice and counselling are provided to direct firms towards the most appropriate agencies according to the needs and characteristics of the firms.

The DTI also stresses the importance of foreign language proficiency and the understanding of customers' cultural differences. OTS offers a subsidised scheme to evaluate a firm's business language needs (Language in Export Advisory Scheme, LEXAS) and a database of language training providers, translators and interpreters (The National Business Language Information Service, NatBLIS).

Other Western governments go further in trying to motivate firms to export (US, Canada, Spain). They offer programmes designed specifically for new exporters, in which targeted programmes with more generous financial assistance or less stringent administrative requirements are being offered. In Canada, for example, firms that have not yet exported but that have shown the relevant competence to do so, can choose from three specific programmes. These programmes entail a visit to foreign markets (either the US, Mexico, or Western Europe) with extensive training about the export process in the country and meetings with potential customers and partners.

3.2.2 Informational Services

3.2.2.1 Services providing objective knowledge

Once the first hurdle, that is deciding whether export should be part of a firm's strategy, has been cleared, the second hurdle is to determine which markets to target. Market screening becomes necessary in order to find the most suitable territories for a firm's

products and services. From macro-economic data to first-hand market data gathered in the field by firms' executives, OTS provides a number of schemes to overcome informational barriers. Some of these barriers can be reduced by acquiring objective knowledge about specific markets through desk research. The Export Market Information Centre (EMIC) is a self-help reference library and research facility located in London and providing a wide range of trade and country information sources. These market data can also be obtained by commissioning research work to be carried out by EMIC staff through the Export Market Information Research Services (EMIRS). UK companies can also purchase a number of export publications from EMIC.

Export intelligence, information about possible opportunities overseas received daily from the Foreign and Commonwealth Office diplomatic posts and other sources, is available through Prelink. Prelink is a computerised information service that matches collected market intelligence with subscribers' business interests. Export intelligence can also be accessed through FT Profile.

Market information is instrumental in the success of an export venture (Czinkota and Ronkainen 1993). Market information can be supplied by the FCO diplomatic posts through the Market Information Enquiry Service (MIES). This service provides specific information on products or services including sales contacts and marketing techniques for an identified export market. The Export Marketing Research Scheme (EMRS) gives advice on, and financial support for, more structured export marketing research either conducted 'in-house', commissioned to professional consultants, or already published. An export venture success is dependent on the appointment of the most appropriate representative in the market. This could be facilitated through the Export Representative Service (ERS) provided by the OTS. Sometimes unsolicited orders from unknown customers are received. These carry potential commercial risks if the reputations of overseas customers are not carefully checked. The Overseas Status Report Services (OSRS) gives indications of the reputations of prospective clients.

Some barriers might be related to lack of familiarity with export procedures. Help with tariffs, regulations and licenses can be obtained from the DTI Country Desks. Technical Help to Exporters (THE), which is part of the British Standard Institution,

ensures that firms obtain the appropriate information concerning technical requirements for export.

The other countries investigated provided exporting firms with a full range of services aimed at gaining objective knowledge. The Canadian government offers a range of export publications, list of export representatives, basic market research and other services provided by the overseas posts free of charge. Training is offered by other countries but not by UK government agencies. Other governments subsidise export training programmes to reduce both motivational and operational barriers (Belgium, Italy, Spain, Canada). In the UK, export training can be found in Chambers of Commerce, trade associations, and colleges, but it is not included in a national scheme.

3.2.2.2 Services providing experiential knowledge

Once all the relevant secondary sources of information both from the public and the private sectors have been investigated, the acquisition of experiential knowledge would provide firms with a feel for market opportunities and how to conduct business in the target country. It gives executives first-hand experience to adjust their perception about market potential and increase their knowledge of local business networks. The Overseas Trade Services offers several schemes to help gain experiential knowledge. Programme Arranging Service (PAS) and In-Market Help Service (IMHS) assist firms in making their visits to foreign countries as effective as possible. Promoting UK products and services abroad is made easier and more effective through a number of export promotion schemes.

These include the Trade Fair Support Scheme (TFSS) that assists UK-based companies in participating, as part of a national group, at overseas trade fairs. The Outward Mission Scheme (OMS) encourages UK companies to explore overseas markets. These two schemes are sponsored by Trade Associations and Chambers of Commerce and are more specifically designed for SMEs (less than 500 employees). Financial support is provided through travel grants and grants for renting space at the fair and for stand construction. The Inward Mission Scheme (IMS) encourages people who are in a position to influence the purchase of UK goods and services to visit the country. The object of the Overseas Seminar Scheme (OSS) is to enhance export prospects for

British products, technology and services by means of seminars abroad for potential customers, policy and decision-makers. The Overseas Store Promotion Scheme (OSPS) provides financial support to overseas stores in major cities staging in-house promotions of British merchandise.

Again, very similar programmes are offered in many countries to provide firms with experiential knowledge. The most popular ones are trade fairs and trade missions. Since the focus of this thesis is on TMs, these events are investigated in more depth. A variety of approaches to TMs are offered by governments:

- In the UK, TMs are sponsored by Chambers of Commerce and Trade Associations. The sponsors' role is to publicise and administer the events, recruit participants, arrange travel packages, and organise pre-departure briefing-meetings and field programmes. The majority of such TMs cover a wide range of industry sectors, only a few are sectoral.
- Conversely, other countries like Belgium seem to favour ministerial TMs and TMs presided by HRH Prince Philippe, who is the Honorary President of the Office Belge du Commerce Extérieur (OBCE) (OBCE 1996).
- Spain emphasises inward TMs to a greater extent than other countries. Among the 299 missions organised in 1995, 154 were inward TMs and 145 were outward. Outward TMs can have different focus - 110 of them were direct TMs, the objective of which is the same as the British ones, 26 were study TMs aimed at trade associations, and 9 were mission-exhibitions with the purpose of exhibiting products in relevant venues (hotels, commercial centres). Direct TMs can accommodate from as few as 2 participants to over 30 (ICEX 1995).
- In the US, TMs are sectoral. They usually consist of 5 to 12 business executives. Another type of TMs is the Matchmaker Trade Delegations which are designed to introduce new-to-export or new-to-market firms to prospective representatives overseas (Department of Commerce 1996).

- In France and Canada, a travel grant is given to firms to visit foreign markets on an individual basis. In Canada, collective TMs are for new-to-export firms to the US, Mexico and Western Europe. In France, collective TMs are not offered or funded by the government but might be by Chambers of Commerce or Trade Associations.

The Canadian government recognises the need for long term planning. Subsidies for the acquisition of experiential knowledge are only granted following approval of a detailed one-year marketing plan for a specific market. The government subsidises 50 per cent of the costs of eligible activities to implement this plan. Some of the eligible activities include participation at trade fairs, international travelling, and adaptation of the marketing mix (DFAIT 1995).

3.2.3 Operational Services

The last barriers to overcome are operational. They are related to the lack of financial or human resources to successfully carry out an export operation. In the UK, the Simplification of Trade Procedures Board (SITPRO) works to improve the trading process and simplify export documentation. It provides advice on trade procedures. Financial resources can be protected through export credit insurance. The Export Credits Guarantee Department (ECGD) provides coverage against political and commercial risks for overseas projects. For exports made on short term payment terms, export credit insurance is offered by a number of private sector companies.

Help is also available in providing resources for the implementation of the marketing plan. Publicity can often enhance the impact of other promotional methods, hence a Commercial Publicity Package is available to trade fair and TM participants. The New Product from Britain Service (NPBS) can help make the news in foreign markets by providing appropriate magazines and journals with editorial material about new products. Finally, offers from foreign governments to bid on major structural projects imply expertise and resources generally not available to SMEs. DTI's Projects Export Promotion Division (PEP) co-ordinates all government interests and support services for large overseas projects.

Export credit insurance is offered by all industrialised country governments, and the terms offered to companies are subject to the Bern Convention. The other services mentioned above are, however, only offered selectively.

3.2.4 Beyond Export

The global market place is now a reality. Due to advances in technology, geographical and psychological distances are much less of a barrier at the eve of the 21st century than they were two decades ago. Therefore, is government support for export adequate? If governments' primary objectives are to increase trade and employment in their countries, it might be. Moreover, since in most countries the number of exporting firms is still relatively low, efforts in this field are still needed. However, if governments' objective is to increase firms' competitiveness in the global market while still fulfilling the previous objectives, competence in more sophisticated forms of foreign market involvement, such as licensing and joint-ventures would be necessary (Fletcher 1997).

Under some circumstances, export might not be the best possible mode of foreign market entry or might be barred entirely. Some governments set high customs tariffs on their imports to encourage direct investments in the country and transfers of technology. This policy also prevents unnecessary spending of hard currency and might aim at protecting the domestic industries. Whatever the rationale for such policies, the only way for foreign firms to enter the market is to join forces with a local partner. It has also been demonstrated that export is less appropriate for service firms because of the intangibility of the offer (Goodwin and Elliot 1995). Joint-ventures have been a preferred mode of market entry for this sector which has become predominant in industrialised countries (DTI 1995a). Presently, the service sector represents more than 60 per cent of the GNP of developed countries, however, most EPPs still focus on export promotion only, as they did when the programmes were first implemented.

Some governments assist with foreign investments in offering programmes that alleviate the three types of barriers: motivational, informational and operational (Table 3-3). In the UK, the programme that deals with foreign investment is the Overseas

Investment Enquiry Services (OIES). When a stronger commitment to the market is necessary, information about investment procedures overseas and local contacts are available through this service. The Know How Fund (KHF) helps with pre-investment feasibility studies (PIFS) and training for investment personnel (TIPS) in some countries of Central and Eastern Europe and Central Asia.

The ECDG offers insurance against the loss of foreign assets. Such coverage is also available from the national export credit insurance of France, Italy, Canada and the US. However, services providing assistance with foreign investment are still limited in the UK. Other countries, like the US and Austria for example, get more involved with the selection and evaluation of partners and the establishment of joint-ventures.

Table 3 - 3: Other services to promote international activities

Foreign Investments	UK	Austria	Belgium	France	Italy	Spain	Canada	US
<i>Motivational</i>	x					x		x
<i>Informational</i>		x			x	x		x
<i>Operational</i>	x			x	x		x	x
Other Services								
Consortia			x			x		
Training of foreign executives	x		x					x

Sources: DTI 1996a, FEC 1996, OBCE 1996, COFACE 1995, 1996, ICE 1996, ICEX 1996, DFAIT 1995, Department of Commerce 1996.

Other services include assistance with the creation of consortia. These programmes assist associations of companies in developing a permanent presence in foreign markets. Under these programmes, firms sharing similar goals implement a common promotional strategy targeted at the same markets, the costs of which undertaken individually would be overly burdensome. This type of programme is not available to UK firms.

The training of foreign executives is another way of promoting a country and its businesses. When back home, the executives might think more readily of their host country as a place to conduct business with. This service is offered through the Know

How Fund (KHF) and consists of a programme of technical bilateral assistance to the countries of Central and Eastern Europe and Central Asia.

3.2.5 UK Budget for Export Promotion

In 1995, in its White Paper on Competitiveness (DTI 1995b), the UK government set as objectives the increase in competitiveness of UK manufacturing firms and an increase in the number of exporters. Some of the actions recommended were to increase the budget for EPPs and to reach out to small firms that need help the most. As seen in Table 3-4, the UK budget for EPPs has increased 22 per cent since the 1990/91 fiscal year. For 1997/98, however, cuts from current levels have been announced.

Table 3 - 4: Overseas Trade Services' Export Promotion Programmes - Total Net Direct Expenditures (£ million) 1990/91-1995/96

Year	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	% Increase 1990/91- 1995/96
Net Direct Expenditures	147.6	154.1	161.8	170.8	179.9	189.5	22.1

Sources: DTI Annual Reports 1992 to 1996.

A selected number of services and their respective budgets from 1990/91 to 1995/96 are presented in Table 3-5. As can be seen, overseas TMs have experienced the most increase in budget, numbers, and participants during this period.

Table 3 - 5: Selected DTI Overseas Services: Expenditure and Outputs 1990/91-1995/96

Programmes	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	% Increase 1990/91- 1995/96
Overseas Trade Fairs							
Expenditure (£ million)	15.9	13.8*	13.2	13.5	17.1	19.8	24.5
Number of exhibitions	291	335*	325	282	334*	NA#	14.8
Participants	6611	7000*	7013	6439	8021*	NA	21.3
Outward Missions							
Expenditure (£ million)	1.1	0.8*	1.3	1.6	1.5	2.0	81.8
Number of missions	133	120*	122	127	149*	250*	88.0
Participants	1725	2000*	2271	2478	2450*	3500*	102.9
Inward Missions							
Expenditure (£ million)	0.8	0.8*	0.6	0.6	0.5	0.9	12.5
Number of missions	53	65*	46	33	34*	NA	(35.9)
Participants	578	650*	584	341	397*	NA	(31.3)
Overseas Seminars							
Expenditure (£ million)	0.3	0.3*	0.4	0.3	0.3	0.4	33.3
Number of seminars	19	23*	20	20	16*	NA	(15.8)
Participants	284	310*	299	246	320*	NA	12.7
Store Promotion							
Expenditure (£ million)	1.1	1.1*	0.7	0.6	0.5	0.6	(45.5)
Total supported	25	25*	18	11	13*	NA	(48.0)
Export Marketing							
Research					1.1	0.8	
Expenditure (£ million)					197	160	
Total offers of support							

Sources: DTI Annual Reports 1992 to 1996.

* Estimate

Not Available

It is difficult to compare budgets for export promotion between countries because of the various levels of centralisation of the programmes, and the way expenses are aggregated and presented. Furthermore, absolute numbers are of little meaning in a comparative exercise. Spending per capita has been used as a measure for comparing export promotion budgets between countries (US Department of Commerce 1988, cited in Czinkota and Ronkainen, 1995 p. 43). Also of interest is the comparison of the importance of TMs and trade fairs in the export promotion budgets of various countries. TM budgets are about one tenth or less of those of trade fairs. Finally, it can be noted from Table 3-6 that services providing experiential knowledge account for approximately half the total export promotion budget.

Table 3 - 6: Comparison of various budget allocations

Countries	Total EPPs Budget (£ million)	EPPs Budget per Capita	Trade Fair Budget as % of Total	Trade Mission Budget as % of Total	Budget for Services Providing Experiential Knowledge
UK	£200	£3.5	10%	1%	47%
Italy	£49	£0.8	55%	3%	69%
Spain	£110	£2.8	28%	2%	79%
Sweden	£40	£4.4	N/A	N/A	N/A
Finland	£15	£3.0	N/A	N/A	N/A

Sources: OTI 1996a, ICE 1996, ICEX 1996, and interviews with Swedish and Finnish trade commissioners 1996.
N/A: Not Available

3.2.6 Overall Evaluation of UK EPPs

UK EPPs provide a wide range of services to alleviate informational and operational barriers, which is in line with what other industrialised countries offer. The budget for UK EPPs is relatively larger than most of the other countries investigated in terms of total EPPs budget (£200 million for the UK, then comes Spain with £110 million) (Table 3-6). The UK EPPs budget is the second largest among the countries investigated in terms of EPPs budget per capita (£3.4 per capita for the UK after Sweden £4.4 per capita). However, some gaps were identified in the types of programmes provided (Section 3.2).

Export training, although provided by Chambers of Commerce and colleges is missing from the services offered by the government. This could be considered as a shortfall in government services as export training, by reducing the perceived risks of export, is instrumental in changing managers' attitudes toward export (Axinn 1988). This in turn would lead to export propensity and performance.

Programmes for new exporters offered in other countries provide one-to-one consulting, attendance at seminars on export processes, and visits to neighbouring countries, as well as more favourable financial and administrative help. No such services are specifically aimed at new exporters in the UK, contrary to government

objectives expressed in the White Paper for Competitiveness (DTI 1995b). This means that SMEs, which are most in need of assistance, are not properly reached through EPPs.

UK EPPs do not take into account the fact that 66 per cent of the economy now depends on services, and exports are not the most relevant mode of market entry for these firms (Goodwin and Elliot 1995). The relative lack of programmes providing services to increase the competence in more advanced modes of market entry (e.g. foreign investments) was also found in a study conducted in 1995 by KPMG (DTI 1995a).

This study focuses on the evaluation of a specific service providing experiential knowledge to UK exporters - overseas TMs. A review of the literature on the role and impact of overseas TMs is presented in the following section.

3.3 PURPOSE AND USE OF OVERSEAS TRADE MISSIONS

3.3.1 Definition

Most governments, both in developed and developing countries, organise TMs (Seringhaus 1991). However, academic literature and text books have paid only scant attention to this mode of export promotion. Terpstra (1983) briefly mentioned TMs as one of the programmes offered by the Department of Commerce to promote the business of American firms to international markets. In the UK, Branch (1990) explained outward missions and provided suggestions for mission sponsors, while Hibbert (1990) gave a more general description of the various types of missions, their purpose, and the key success factors for participating companies.

For Hibbert (1990, p. 225), the objectives of TMs at the macro-economics level are as follows:

[Trade missions] have the primary objective of improving the flow of bilateral trade, sometimes to rectify agreed imbalances between the two trading countries, sometimes to raise the level of trade in specific commodities, or sometimes on a basis of goodwill and cultural exchanges, to promote consumption internally of both countries' principal export goods.

TMs are instrumental in facilitating the flow of bi-lateral trade by providing the right contacts at the right level as explained by Seringhaus (1987a, p. 249):

Among several important facets trade missions provide are first-hand assessment of market opportunities, establishment of direct contacts and a high profile in a target market, assistance in seeking representation or indeed prospective customers, and contact with other participants: in sum, a learning experience in export marketing.

For Pechter (1992, p. 58), TMs bring together people with similar interests in a unique setting in which business relationships can be enhanced:

(...) the purpose of trade missions is to introduce (...) businessmen to a hand-picked pool of potential customers, distributors, joint venture partners or agents in a setting that's much more personalized and controlled than might be found in (...) the unpredictable and noisy environment of a trade fair.

From these definitions, it could be implied that TMs have the primary role of facilitating the introduction of foreign business persons to new markets and of providing a privileged environment in which business talks can take place.

The most extensive empirical studies about the role of overseas TMs have been carried out by Seringhaus (1984, 1987a, 1987c), Seringhaus and Mayer (1988), and Seringhaus and Rosson (1990d). TMs provide participants with experiential knowledge and as such have often been described as a market entry facilitator (Seringhaus 1989). By allowing the gathering of first-hand knowledge about the target market, TMs successfully fulfil market entry information needs. Research by Seringhaus (1987c) showed that the following types of information gathering can be carried out through TMs:

- Hands-on information on market opportunities, product ideas, competitors;
- Up to date data about the market environment through direct personal contacts with potential customers, agents, industry associations, government officials;
- Exchange of experience with other participants;
- Evaluation of distribution and sales opportunities in target market;

- Increased visibility in target market through high level contacts attracted by mission organisers.

Interviews with key informants show that TMs are used as an 'ice-breaker' into markets about which little is known. TMs also provide increased personal safety to TM participants due to numbers and sponsorship from a foreign government in markets where security was at stake³.

As seen in Section 3.2.2.2, governments-subsidised TMs can take several forms. Although the objectives for TMs pursued by most countries are similar, the way TMs are administered and organised, and the criteria for participants' eligibility vary. In the UK, TMs are collective events, and they can be either outward or inward. Outward missions generally consist of groups of approximately 8 to over 30 domestic business persons travelling to foreign markets to collect market intelligence or sign contracts. In contrast, inward missions are designed to attract groups of foreign buyers or influencers. Their purpose is to meet with potential suppliers or influence the purchase of domestic goods.

Outward missions are called horizontal missions when the group consists of companies from various industry sectors. When participating firms are from the same industry sector, these missions are called vertical missions. Vertical missions are organised when the market presents specific opportunities in targeted industry sectors. These are generally set up by trade associations. Ministerial missions are outward missions led by a minister and to which high profile companies are invited to participate. They might lead to large bi-lateral co-operation projects being signed.

From the organiser's point of view, it is easier to recruit for horizontal missions as the participants can be drawn from a large base of companies from various sectors. They also have the advantage of attracting non-competing firms, increasing synergy between the participants to occur as they are on the outlook for opportunities for each other, making the TMs all the more valuable.

³ This information was gathered during the author's participation in TM pre-departure briefing meetings.

3.3.2 Organisation of Trade Missions in the UK

In the UK, the objectives of outward TMs are “to encourage small and medium-sized enterprises with fewer than 500 employees and firms new to exporting to explore overseas markets through missions sponsored by Trade Associations, Chambers of Commerce or similar organisations” (DTI 1996b, p. 85). The scheme applies worldwide with the exception of Western Europe. A travel grant is paid to one representative from each company taking part in the mission. Some restrictions apply as to the frequency of participation: each firm is granted support to up to ten missions, of which no more than three can be to the same country (five in Japan). In some instances, such limitations have been met with resentment on the part of the users (Runiewicz 1994, 1995).

Budget for the Outward Missions Scheme and the number of participating companies increased more than any other programmes between 1990/91 and 1994/96 (Table 3-5). However, cuts were experienced for the years 1996/97 and 1997/98. Although the number of TMs remained the same, the number of participants each sponsor could recruit for a TM was reduced from 30 to 15 in some markets. Impacts of these cuts on sponsors could result in increases in management fees and adverse publicity as some firms could be turned down as potential participants.

Every year, sponsors are recruited by the DTI through a formal twelve-month bidding process. Sponsors are selected for their expertise and experience in the target markets (Balabanis and Crilly 1996). When organising TMs, sponsors try to include a variety of activities to enhance the objective and experiential knowledge acquisition of participating companies and their visibility in the market. Four to six weeks before the TMs, objective knowledge is provided to participants through a pre-departure briefing meeting. DTI country desk representatives as well as executives with experience in the markets give information about the countries economic, political and cultural environments as well as business opportunities. TM participants are given a briefing pack containing country profiles and other relevant information for their journey. Before leaving on the TMs, staff at the British Embassy is at their disposal to provide them with additional information as required. To promote TMs in the target market, a

brochure including participants' details and firms' activities is produced and sent to relevant business contacts.

Another briefing meeting organised by the overseas post staff will take place soon after arrival in the country. It is followed by a reception, the purpose of which is to meet foreign and British government officials and local business persons in a social setting. TM participants are asked to provide the British Embassy with a list of contacts to invite to the reception and it is one of their tasks upon arrival to follow-up on the invitations. It has generally been noted that, the higher the ranking of the officials attending the reception, the more relevant the contacts generated, as more decision-makers attend. Sometimes, a press conference can be organised by the overseas post staff.

TM participants must spend a minimum number of days in the country in order to qualify for the grant. During that time, they are free to conduct business as they please. They also have to attend a de-briefing meeting before leaving the country. During this de-briefing meeting an informal evaluation of the TMs is carried out. Participants are encouraged to use the flight and hotel(s) arranged by the LCCI to enhance positive group synergy.

3.3.3 Profile of Trade Mission Users

Seringhaus' work (1984, 1987c) highlighted some important differences in management orientation and TM objectives among users and non-users of TMs. TM users were found to be more involved in systematic planning and market research than non-users both for their domestic and international operations. The former also showed greater awareness and use of government export assistance programmes. Non-users found TMs less compatible with their management style as such events limit "the participant's flexibility and independence" (Seringhaus and Mayer 1988, p. 15). TM users also found market entry more problematic than non-users, hence their participation in missions to overcome perceived barriers to exporting. Market entry have been found to be more effective among TM users than non-users. The use of missions speeded up the establishment of contacts and the reception of customer inquiry while delaying the need for a repeat visit and increased advertising in that

market (Seringhaus 1987c). Seringhaus (1987c, p. 51) also found that regular TM users aimed to achieve objective outcomes, for example sales, while non-users saw TMs mainly as “a mean to acquire information, experience and knowledge”. Therefore, TMs as a market entry facilitator are used by decision-makers who show a relatively high level of marketing sophistication and who are concerned with effectiveness and efficiency of foreign market entry (Seringhaus 1989).

3.4 CONCLUSION

This chapter examined the role of export promotion programmes on firms' export behaviour. It was demonstrated that government export promotion programmes are designed to assist SMEs in the acquisition of export knowledge and encourage them to expand internationally. A detailed comparison of export promotion programmes between the UK and a number of selected industrialised countries was provided. It was concluded that the UK offers its domestic SMEs a wide range of services to alleviate informational and operational export barriers. However, the UK programmes are not as proactive as others at encouraging non-experienced firms to venture into foreign markets either through exporting or through more sophisticated modes of market entry. The last section of this chapter emphasised the purpose and use of overseas trade missions. The organisation of trade missions in the UK was explained in detail and compared with that of other countries. Finally, a profile of trade mission users was provided.

In the next chapter, issues related to the evaluation of government programmes are reviewed.

4. CRITICAL CONSIDERATIONS FOR GOVERNMENT PROGRAMME EVALUATION

4.0 INTRODUCTION

This chapter focuses on the main challenges faced by evaluators of government programmes and highlights various views on the measurement of programme impact. In Section 4.1, the major hurdles of government programme evaluation are presented. Then, Sections 4.2 and 4.3 outline some of the considerations to take into account when developing units of measurement for evaluating EPPs. Section 4.2 builds on the previous section and focuses on measures of impact. Section 4.3 explains the various methods used to evaluate reach and effectiveness of EPPs as well as the targeting of these programmes. Considerations for the evaluation of TMs are discussed in Section 4.4. Section 4.5 reviews and criticises previous models of TM and export performance.

4.1 GENERAL CONSIDERATIONS FOR GOVERNMENT PROGRAMMES EVALUATION

4.1.1 Purpose of Evaluation

Wholey (1972, p. 361) stated that the purpose of programme evaluation was “to provide objective feedback to program managers and policy makers on the cost and effects of national programs and local projects, to assist effective management and efficient

allocation of limited resources". In other words, the essence of government programme evaluation is to optimise the allocation and use of limited resources.

Government programme evaluation presents a number of challenges. Various forces, some from within the programme itself, others internal or external to the organisation, may alter or invalidate the results of the whole process. When designing the evaluation study, three major causes of introduction of bias have to be considered: the evaluator and the person being evaluated (known as the participants to the evaluation process), the process of the evaluation itself, and the units of measurement chosen for the evaluation. The next three sections will review these areas of potential bias. Furthermore, government programme evaluation has to be considered at two levels: at the micro-economic level or the firm's level and at the macro-economic level or the government level. This will be reviewed in Section 4.2.

4.1.2 The Participants of the Evaluation Process

As for any other evaluation, some of the bias in the government evaluation process may come from the participants themselves. These can take advantage of their influence to overstate or understate the results of the evaluation study in their favour. Resistance on the part of the person being evaluated can take the form of non-collaboration or slippage of the evaluation process to areas which are less threatening, thus affecting the validity of the survey (Cabatoff and Bion 1992). Another type of participant-related barrier to the evaluation process is when the evaluation is biased to justify past actions or results as opposed to giving an actual picture of these. Information necessary to the evaluation process may be hidden purposely to avoid possible cuts in resources or to justify decisions once these decisions have already been taken (Cabatoff and Bion 1992).

4.1.3 The Process of Evaluation

Wholey (1972), Cabatoff and Bion (1992), and Hibbert (1990) identified a number of difficulties caused by the evaluation process itself. The evaluation process consists of two major steps: (1) identifying the controllable elements that will affect the results of a government programme, and (2) evaluating the contribution these controllable elements

have on the success of the programme. Difficulties arise when uncontrollable elements enter into the equation. These uncontrollable elements are more likely to bias the results of a programme when their effects can be determined only at a later date due to the time lag between implementation and results.

Furthermore, some programmes of minor importance may be left out of the evaluation process as the costs of the evaluation do not justify the process to be undertaken. However, these minor programmes, being part of a wider area of assistance, may still contribute to the success of more important programmes. Therefore, this presents difficulties in judging the amount of interference between programmes and the degree to which each one contributes to the success of the others.

Another challenge to the evaluation process is the timing of the evaluation. Often, because of limited budget and interference from uncontrollable elements, a 'snap-shot approach' to the evaluation process is undertaken through cross-sectional studies. However, since government programmes do not usually generate instant results, a continuous evaluation may be more appropriate (Seringhaus and Rosson 1990c, Cavusgil and Yeoh 1994). As a consequence, the use of a longitudinal research design would be more relevant.

4.1.4 The Units of Measurement

Authors have different views regarding outcomes of evaluation studies. Hatry (1972, p. 777) stressed that "one problem area is the definition of 'output' as most local government products are actually 'services', and 'quality of services' therefore has to be measured as well". He warned against 'perverse measurements' that make measurements look promising but that are against public interest. Whether 'outputs' or 'outcomes' have to be measured is a rather confusing debate. The definition of 'output' is "the amount produced in a given time", while 'outcome' is "something that follows as a result or consequence" (Webster's dictionary). Wholey (1972, p. 361) claimed that "the essence of programme evaluation is the assessment of *outcome* - what happened that would not have happened in the absence of the programme". For Cabatoff and Bion (1992), policy evaluation has to take into account not only outputs (the results of

the policy), but also outcomes (the results of the policy on target population and the environment). Gibert (1989) suggested that public organisations generally look at 'outputs' (number of units processed) while they should actually measure 'outcomes' (impact). 'Impact' is also a measure favoured by Nyberg (1987) when looking at the evaluation of international trade promotion.

A number of authors agree that an evaluation study would not be complete simply with the evaluation of results. The process that leads to these results and the effectiveness of this process are just as important (Gibert 1989, Treasury Board of Canada 1989, Nyberg 1987, Wholey 1972). Nyberg (1987) added the notion of efficiency to programme evaluation defined as "a comparison of production with cost" while effectiveness is "[the action that leads to the production of] a decided, decisive, or desired effect" (Webster's dictionary).

Whether quantitative or qualitative data have to be included in an evaluation is another point of discussion. Gibert (1989) supported the assertion that a policy cannot be evaluated solely on the basis of tangible objectives. The underlying objectives of a subsidy that aimed at leading to stimulating action, earlier decision-making, increased activity, or changes in behaviour are important attributes of government programmes. Although more difficult to assess, these characteristics cannot go unnoticed. Hibbert (1990) also stressed the inclusion of both quantitative and qualitative factors as well as time lag in the measurement of export promotion activities.

This brief overview of the challenges undertaken by evaluators of government programmes leads to the conclusion that evaluation is a complex task that is nevertheless necessary, especially when public funds are at stake. The following section will look at evaluation studies conducted for a specific type of government programme, EPPs as defined in Section 3.1.

4.2 EVALUATION OF EPPS IMPACT

4.2.1 Past Research and Methodological Considerations

The body of literature concerned with the evaluation of government support for international trade promotion has seen growing interest from academics in the past decade. Until the beginning of the 1990s, most studies were performed in North America. Two reviews conducted by Seringhaus (1986) and Diamantopoulos et al. (1993) surveyed a total of 30 different studies from various countries that took place between 1973 and 1991; only 13 per cent of these studies originated in the UK. However, increased interest in the assessment of EPPs in the country has been evidenced lately (Crick 1992, 1995, Crick and Czinkota 1995, Spence 1996).

Besides these empirical evaluations of EPPs, the DTI regularly commissions evaluation studies or conducts them itself. Some of the results from these studies are for internal use only, others are published. Among the published studies, one should note a yearly 'Survey of International Services Provided to Exporters in the UK' started in 1993 by the Institute of Export and NCM Credit Insurance (Runiewicz 1994, 1995). The National Audit Office (NAO) also recently conducted a survey of seven export promotion services provided by the DTI in South East Asia (NAO 1996). The focus of these surveys, both academic and commissioned by governments, varies from the investigation of firms' export behaviour to the assessment of programmes' impact at the firm's level. Comparison of results may be difficult due to the various methodologies used. An overview of some of these methodologies is given in the following two sections.

Seringhaus (1986) and Diamantopoulos et al. (1993) outlined the major methodological problems encountered in the empirical studies reviewed. Most of the studies evaluated government programmes collectively without breaking down the results between the various services provided. Therefore, these results were not able to provide a picture of the actual impact of individual services. Moreover, firms generally have the choice between a range of services and would choose the ones most appropriate for their level of export development. As a consequence, these studies, by evaluating different

services collectively for a range of firms of various characteristics, and averaging the results, may have shown mixed findings.

The impact of intermediary activities that eventually lead to sales (for example public relations, visits, leads, contacts, quotes) are usually not surveyed because of a lack of longitudinal design. The lag effect between an export promotion activity and the actual realisation of measurable performance is acknowledged by authors (Hibbert 1990, Cavusgil and Yeoh 1994, Seringhaus 1996) but rarely taken into account in the design of empirical studies. Finally, few surveys have used control groups to assess the impact of export assistance between users and non-users of the programmes. Further methodological considerations are concerned with the measurement of EPPs impact and export performance.

4.2.2 Measures of EPPs Impact and Export Performance

Before developing arguments about measures of EPPs' impact, clarification of the terms seems appropriate. The body of literature dealing with EPPs' evaluation uses various terms when talking about programmes outcomes. Studies dealing mainly with the evaluation of EPPs tend to use the term 'impact' of programmes at the government level. Studies dealing with export behaviour favour the terms 'export performance' or 'export success', which is generally evaluated at the firm's level. These three terms will be used interchangeably in the following sections to indicate the results from EPPs.

In past research, impact of EPPs has been assessed both in terms of subjective qualitative measures indicating managers' perceptions and views on export performance or changes in export attitudes, and objective quantitative measures. In their review of literature on the evaluation of export assistance, Diamantopoulos et al. (1993, p. 13) mentioned "a notable lack of 'objective' indicators of the impact of export assistance". These findings were contradicted however, by Katsikeas et al. (1996). These authors found that "[i]n the context of export marketing, the vast majority of studies have utilised objective performance indicators." (Katsikeas et al. 1996, p.10).

Authors have argued that qualitative analysis has its own merit, but when taxpayers' money is at stake, the efficient use of funds should be investigated with quantitative

measures (Gibert 1989, Nyberg 1987). Objective measures, because they provide hard data on which to base what would be perceived as rational decisions, seem to be favoured in studies commissioned by government agencies (NAO 1996, MAI 1995). The guidelines for the evaluation of export promotion services developed by the International Trade Centre (Nyberg 1987) also stress the use of objective measures. The most common objective measures used in academic studies have been export proportion of sales, export profitability, and growth in export sales (Culpan 1989, Madsen 1989, Naidu and Prasad 1994, Walters and Samiee 1990).

However, objective measures of export performance may present a number of problems. Export sales and growth in export sales reported in monetary values could be distorted by possible price inflation or deflation, or changes in exchange rates which would make the results difficult to compare between countries (Kirpalani and Balcome 1987). Export profitability would also give only an inaccurate view of export performance as firms might use various accounting methods, which in turn affect their profitability figures. Furthermore, these data are of a sensitive nature and difficult to obtain

Some studies of export performance have highlighted the fact that some of a firm's strategic objectives for export expansion can only be evaluated qualitatively, for example, gaining a foothold in the market, or increasing visibility in the industry sector (Cavusgil and Yeoh 1994). If indeed, governments programmes are designed to "motivate firms into export action" and to "stimulate the exporting process" (Seringhaus 1986, p. 109), managers' perceptions about export and their changes in attitudes should be assessed. Therefore EPPs objectives should be clearly stated, and specific units of measurement should be developed to assess whether these objectives have been fulfilled at the firm's level. The use of subjective performance indicators is also justified as management action is more likely to be driven by perception of company's performance, rather than by more objective indicators of performance (Katsikeas et al. 1996).

Another consideration to be taken into account is that "universally valid prescriptions of success are unlikely to be found" (Walters and Samiee 1990, p. 35) and that

perception of export success would significantly differ across export destinations (Katsikeas et al. 1996). Under such circumstances, Kirpalani and Balcome (1987) suggested that investigation of export success should be carried out at the product-line market level rather than the firm level.

The controversies concerning measures aside, what seemed to be consistent across most studies was the use of multidimensional constructs of export performance including both objective and subjective measures.

To illustrate the difficulties in developing units of measurement, the following two sections explain some of the measures used to assess EPPs' impact by government and academics in selected countries.

4.2.3 Objective Measures of Impact

Objective measures of EPPs impact reported in government studies have used three main constructs: (1) ratio of incremental export to investment in export assistance (incremental sales generated over Pounds Sterling amount invested by the government, i.e. benefits/costs ratio); (2) sales directly generated from export promotion events; and (3) full time employment created due to export promotion activities (in person/year/firm).

Pointon (1978) tried to evaluate the utility of government export promotion in the UK by asking exporters what proportion of their firm's export might have been lost, had the UK government export services not existed. The results showed that for each Pound Sterling spent by the UK government on export promotion, £21 in exports were generated. This method had the merit to be inexpensive, but is nevertheless questionable. This study assessed a wide range of government services together; as a consequence, the figures reported by the exporters could be no more than an educated guess.

Another survey (NAO 1996) studied seven services offered by the DTI in four countries in South East Asia. Additional business generated by these services was estimated at £345 million against cost of £4.5 million, resulting in a 72:1 benefits/costs ratio. It was

found that TMs were the most cost effective service with 2,460 users per year, for a cost of £5.3 million.

Spence (1996) evaluated four overseas TMs organised by the DTI and sponsored by the LCCI. Incremental export sales generated during the missions were £3.8 million against costs of £62,000, resulting in a benefits/costs ratio of 63:1. Average sales obtained during the missions as reported by companies were £290,000 for the UK study against C\$760,000 (about £350,000) in a study conducted in Canada (Seringhaus and Rosson 1990d). As a comparison, the same study with Canadian exporters outlined average sales from trade fairs of C\$279,000 (approximately £127,000).

Benefits/costs ratio for the French TMs (which are individual visits as opposed to collective ones) administered by the Centre Français du Commerce Extérieur (COFACE) was reported to be 41:1⁴. However, no indication of the methodology was made public. The Canadian government claimed that its EPPs generated on average \$460,000 in incremental sales per firm (about £210,000) or \$11.5 billion (£5.2 billion) from 1971 to 1995 (DFAIT 1995).

In terms of employment, the Canadian Programs for Export Market Development (PEMD) estimated having assisted over 25,000 Canadian firms between 1971 and 1995 and created 250,000 person/years employment, or approximately 10 person/years per firm (PEMD 1995). Contrary to these results, a recent study conducted in the UK showed that an increase in exports could lead to a reduction in employment, especially in the larger firms because of the rationalisation of their operations (Wagstyl 1996).

Overall, the tangible impact of the services evaluated is significant for all the countries investigated. These results are summarised in Table 4-1.

⁴ Interview with COFACE agent, 1997

Table 4 - 1: Tangible impact of EPPs in selected countries

Countries	Ratio Export/Assistance	Sales	Employment
UK	21:1 (Pointon 1978) 72:1 (NAO 1996) TM*: 63/1 (Spence 1996)	TM: £290,000/firm (Spence 1996)	Mixed results (Wagstyl 1996)
France	41:1 (COFACE 1997)		
Canada		\$460,000/firm (PEMD 1995) TF**: \$279,000/firm TM: \$756,000/firm (Seringhaus and Rosson 1990)	10 persons/year/firm (PEMD 1995)

* Trade mission

** Trade fair

4.2.4 Subjective Measures of Impact

Subjective measures of impact or export performance included a number of scales to investigate specific problem areas. Some of these areas were: perception of export profitability, perception of sales or market share growth, competence and knowledge acquired (Bilkey 1982, Cavusgil and Zou 1994).

An example of a scale developed by Bilkey (1982) and used subsequently by Koh and Robicheaux (1988) and Koh (1991) evaluating export performance using relative measures of profitability on a scale of 1 to 5, is given below:

- 5 = exporting the product to that country is *much more* profitable than selling it within the US
- 4 = exporting the product to that country is *slightly more* profitable than selling it within the US
- 3 = exporting the product to that country is about *equally* profitable than selling it within the US
- 2 = exporting the product to that country is *slightly less* profitable than selling it within the US
- 1 = exporting the product to that country is *much less* profitable than selling it within the US

Other relative measures of export performance have included the extent to which firms achieved their export objectives (Aaby and Slater 1989). Other authors took various approaches to evaluate EPPs impact and export performance using subjective measures. Two examples are given below.

Olson (1975) investigated whether a new programme of subsidies for Swedish textile and clothing firms, by reducing the perceived risks in the export target market, would encourage an increase of activities in that market. Results show that the most

experienced firms would have carried out their planned activities whether the subsidy was granted or not. Less experienced companies would have scaled down some of their activities, namely advertising and trade fair participation which were considered riskier. The least experienced firms had their applications rejected and seldom applied again. It therefore appeared that the scheme served its purpose in stimulating firms that showed some readiness to export but needed the extra help to overcome the perceived risks.

Grønhaug and Lorentzen (1983) presented a quantitative model for contribution of exports from a firm's perspective but analysed the impact of subsidies qualitatively in terms of changes in attitudes and behaviour and entry of new markets. Their findings showed that subsidies stimulated the use of some export activities that would otherwise have been ignored by firms. These authors also reported that each export activity contributed to the firm's acquisition of learning and increased its effectiveness. However, discrepancies existed between the firm's actual exporting activities and the allocation of resources by the government.

Evaluation of government programmes also included measurement of programmes reach and effectiveness.

4.3 MEASURES OF PROGRAMMES REACH AND EFFECTIVENESS

Measures of programme reach and effectiveness are often mentioned in the literature in terms of awareness and use of programmes by non-exporting firms and exporting firms at various stages of their export involvement. In light of present budget deficits and low awareness and use of the programmes, these two measures are important criteria for governments to consider. Better targeting and promotion of government export promotion services were suggested in order to make more efficient use of scarce resources (Crick 1995).

4.3.1 The Targeting of EPPs

4.3.1.1 Subsidies

Governments targeted EPPs at two different levels: product/country markets, and firms. The objective is, on the one hand, to ensure that the financial packages are aimed at

countries that are most difficult to penetrate or that present the best opportunities for domestic products and services, and on the other hand, that only the firms that need help most and have better export potential receive incentive money. In general, services providing objective knowledge are available to all firms, either for a price, or free of charge depending upon the service and the country providing the service. Services providing experiential knowledge are charged for, however, but are often subsidised. Criteria for access to subsidies vary across countries.

Governments have various policies concerning subsidies for export promotion. These subsidies, in accordance with the World Trade Organisation regulations, should not affect market competition (Raworth 1991). In some countries, the financial packages offered are grants (UK, Italy, Spain), in others, they are repayable contributions (Canada, France). In Canada, for example, the financial help is called 'advances on expenses', in France, 'insurance'. In these two countries, government contributions are refundable over three to four years, depending on the turnover achieved in the market after the promotional activities have been completed. If no sales are generated from the market, the contribution is not required to be refunded. In Belgium, firms have to be members of the Office Belge du Commerce Extérieur (OBCE) to be able to participate in EPPs. However, Belgian EPPs are not subsidised, as subsidies are available only from the regional governments. Countries also differ in their identification of priority markets.

4.3.1.2 Product/Country Market Targeting

Product/country market strategy is generally interpreted by governments as: (1) the number of priority markets some governments have targeted; and (2) the selected industrialised sectors which are preferred for their export potential. Every year, governments reveal their export promotion plans in which specific activities aimed at selected countries and industrial sectors are offered to their domestic firms. In the UK, the DTI targeted 80 priority markets in which most of the export promotion activities are concentrated. When appropriate, specific industrial sectors are emphasised. However, in spite of the efforts that went into the identification and targeting of specific markets and sectors, the NAO survey (1996) identified some weaknesses in this area.

In the four South East Asia markets investigated (Indonesia, Malaysia, Thailand and Singapore), 63 per cent of priority sectors failed to attract 'in-country' supported events such as TMs or trade fairs.

Canada product/country market targeting policy is broadly similar to that of the UK. Furthermore, both the UK and Canada allocate the majority of their resources to geographically and psychologically remote countries. As a consequence, lesser amount of subsidies or no subsidies at all are available for activities in Europe; it is felt that the region does not present major barriers to exporters. On the contrary, Spain, Italy and Ireland spend the greater proportion of their export promotion budget in Western Europe (41 per cent for Spain, 30 per cent for Italy). In Austria, Belgium, Finland, and Sweden, target markets and industrial sectors are agreed upon through negotiations between firms and funds providers.

Other criteria that differ among the countries investigated are those used to select eligible participants to subsidised events, as developed in the next section.

4.3.1.3 Firms' Targeting

Government agencies use a number of criteria drawn from the export performance literature to segment companies and better target EPPs. The most common approaches suggested to segment firms in an export context were (Naidu and Rao 1993):

1. The level of internationalisation of firms (Kedia and Chhokar 1986, Rabino 1980, Czinkota and Johnson 1981);
2. Product/market strategy (Cooper and Kleinschmidt 1984, Cavusgil 1983, Cavusgil and Zou 1994, Walters and Samiee 1990);
3. Firm's size (Ali and Swiercz 1991, Culpan 1989);
4. Management orientation (Gray 1997, Johnson and Czinkota 1982, Naidu and Prasad 1994, Walters and Samiee 1990).

In terms of level of internationalisation, governments have often adopted Johanson and Vahlne's (1977) concept. This approach implies that firms go through an incremental

learning process in their export involvement and once the major barriers to export have been overcome, no more government support is necessary. Therefore, governments limit their use of programmes to a maximum number of times a firm could use a scheme in a specific market, or the overall number of the schemes a firm can apply for per annum. In Canada, for example, the 'stage model' of internationalisation as explained in Section 2.3.1 is applied to segment firms. Firms have to show export experience in psychologically close countries (US and Europe) before being granted help for more remote ones.

EPPs are generally aimed at products and services manufactured in or from the home country. In order to promote domestic products and encourage employment in the domestic market, another selection criterion involves the percentage of domestic content for the products exported. This percentage varies greatly among countries. In the UK, the majority of product content has to be from the country, while in Canada, only 50 percent Canadian content is necessary.

Governments use various measures of size to segment potential participants for their subsidised schemes: number of employees, turnover, or age, or a combination of these. However, no segmentation criteria based on management orientation as suggested by Gray (1997) has yet been developed by governments. Table 4-2 illustrates the segmentation variables used by the countries investigated.

Table 4 - 2: Segmentation variables for export promotion used in selected countries

Countries	Size			Export Stage	Use of Scheme in Market	Total Use of Scheme	Use of Other Schemes	Products Domestic Content
	Turnover	Employees	Age					
UK		<500		PAS*, IMHS*	EMRS*-3 in EU or North America TM*-3 visits/market	EMRS*-10 applications max £60,000 TM*-10	IMHS*	Majority
Austria	all	all	all					
Belgium	all	all	all					
France	>Fr3bn		>3 years					80%
Canada	\$250,000<Turnover<\$10m	<100 manufacturer <50 service			1 application /year/ market	Min \$5,000 Max \$50,000		50%
Sweden	all	all	all					
Finland	all	all	all					

Sources: DTI 1996, FEC 1996, OBCE 1996, DFAIT 1995.

* PAS: Programme Arranging Service

* IMHS: In-Market Help Service

* EMRS: Export Marketing Research Scheme

* TM: Trade Missions

When compared with other countries in which EPPs are centrally funded, for example France and Canada, the UK has a rather liberal policy for selecting participating firms. For overseas TMs, for example, only 60 per cent of the participants must have less than 500 employees. The other 40 per cent could be large, multinational corporations. According to the DTI, these latter firms are used as 'flagships' to increase the visibility of the TMs, and can be seen as role models for the smaller firms. However, one could question whether the funds would not be used more efficiently in the longer term by encouraging a larger number of smaller firms to venture into foreign markets. At the other end of the spectrum when compared to the UK, Canada has more stringent requirements for accepting firms into the EPPs schemes. These involve criteria based on firm's size, amount of funds offered, and number of times the firm has previously been subsidised.

4.3.2 Comparison of Awareness and Use of EPPs

The perceived efficiency of EPPs could be demonstrated by the awareness and use of these programmes by potential users. EPPs were often found to be plagued by low awareness and usage rates. Lack of awareness of EPPs is generally more acute among non-exporters (Moini 1998). Seringhaus and Rosson (1990a) reported a 50 per cent awareness rate, and among these respondents a 25 per cent usage rate. In the UK, one study (Runiewicz 1994) reported a much higher awareness rate (89%) and usage rate (74%) for EPPs. Contrary to these findings, Crick (1997) showed that the DTI EPPs services were rated below average by UK firms in terms of awareness, use, reliability and availability. Crick (1997) and Moini (1998) also demonstrated that awareness and usage rates as well as perceived reliability and availability vary with the level of internationalisation of the firm. For example, levels of awareness and perceived availability of services rise as firms became more experienced in export. However, no definite conclusion could be drawn because methodologies and measurement scales were different across studies. It would appear that the services offered by EPPs are generally too broad in nature and do not cater to the characteristics of SMEs, i.e. their niche marketing approach. Services that would tailor their offer to targeted market segments would be more useful to SMEs than broad indicators of economic trends or trends in broadly defined industrial sectors (Badrinath 1994).

When a more detailed analysis is conducted between services providing objective and experiential knowledge, one could note a higher usage rate of services providing experiential knowledge than those providing objective knowledge in the UK, Italy, and Canada (Runiewicz 1995, Sbrana and Tangheroni 1990, Seringhaus 1987b). Exporters perceived these services as providing more relevant and precise information, therefore leading to better decisions pertaining to the target market (Reid 1984). The following section focuses more specifically on the units of measurement for the evaluation of one of these programmes providing experiential knowledge: overseas TMs.

4.4 CONSIDERATIONS FOR THE EVALUATION OF TMS

4.4.1 Objective Measures of TM Outcomes

TM outcomes, as export performance, can be evaluated either quantitatively (through objective outcomes) or qualitatively (through subjective outcomes). It has been suggested that export sales at the time of the TMs might not be the best measure to evaluate the worthiness of TMs because of the lag time between TM participation and changes in trade pattern (Seringhaus 1987b). In line with the latter, a recent study conducted in the US by Wilkinson and Brouthers (1995) claimed that TMs were negatively correlated with direct exports in the short term. On the contrary, the National Audit Office in the UK found that TMs were a worthwhile generator of export sales, both in the short and the medium term (NAO 1996). In the evaluation of TMs, measures of profitability might not be suitable either as firms are generally in the exploratory or early developmental stage of the market.

Looking at the international sales process, objective outcomes could include the assessment of the various preliminary activities that will eventually lead to sales (Diamantopoulos et al. 1993, Seringhaus 1987b) (Figure 4-1). Since TMs bring together buyers and sellers, decision-makers and influencers, they facilitate the establishment of high level contacts at various levels (governmental, institutional, industrial). Primary contacts with these business people create awareness in the market place. Once firms have assessed their mutual capability of dealing with each other, these contacts should be followed by leads (people who show an interest in the company's offer and who have the power to make the final decision). Leads should generate increased interest between the partners and additional exchanges. If market potential is perceived to be large enough, agents or distributors may be appointed. Stronger commitment leading to decisions for more tangible outcomes from the most interested parties should ensue if follow-up was conducted appropriately after the event. Requests for quote or bids could be expected at that stage. Finally, action from customers may result in sales. During the whole process, relevant information related to market conditions and its dynamics may be gathered through interaction between the parties.

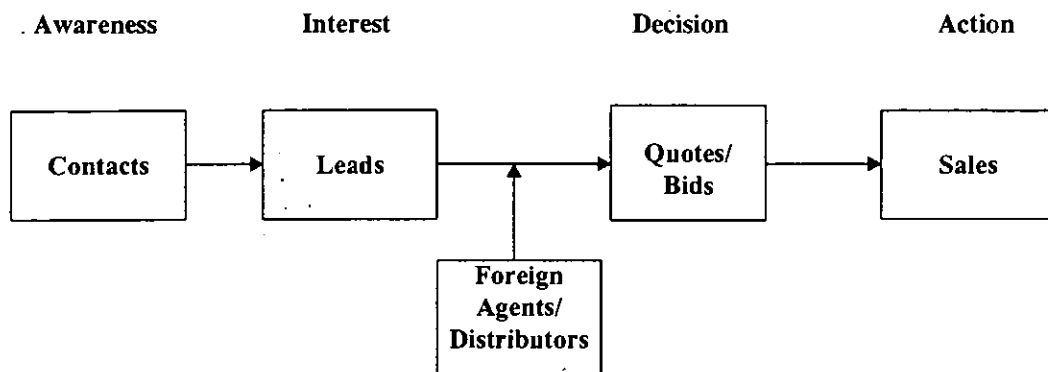


Figure 4 - 1: The International Sales Process

Objective measures of TM outcomes could therefore encompass number of contacts, leads, and quotes obtained during the missions, number of agents and partners appointed, and amount of sales generated. Although a quantitative evaluation of the above variables has its drawbacks (Section 4.2), it could provide a benchmark upon which to base decisions. The following section looks at subjective measures of TM outcomes.

4.4.2 Subjective Measures of TM Outcomes

Subjective outcomes are more related to the long term impact of the visit on the firm's future establishment in the market. If TMs are indeed a 'market entry facilitator' and a 'learning experience in export marketing' (Seringhaus 1989), subjective measures of TMs outcomes may appear to be more appropriate. Assessing viable export market sectors, developing long term sales opportunities, benefiting from other members' experience, and bringing back up-to-date market intelligence would give exporting firms the basis upon which to build solid foundations for market penetration (Hibbert 1990).

Other measures of TM outcomes could include an assessment of the length of time required to establish contacts at the right level in the appropriate governmental sector (Seringhaus 1987b) or methods of evaluating knowledge acquisition (Brezzo and Perkal 1983). It is also suggested that pre- and post- TMs activities in the form of careful planning and follow-up are necessary to convert subjective export outcomes into

objective ones (Hibbert 1990, Branch 1990). Therefore, measures to evaluate the efficiency of the process itself should be included in a study (Nyberg 1987).

Qualitative measures of TM outcomes also include the objectives a company sets for itself before going on the TMs, and the perceived degree of fulfilment of these objectives. A recent study conducted in the UK (Spence 1996) reported the following objectives in order of importance: (1) making productive contacts in the market; (2) conducting market research; (3) obtaining leads; and (4) obtaining sales. Over 60 per cent of the respondents reported being either satisfied or extremely satisfied with their three most important objectives. A similar investigation conducted in Canada (Seringhaus and Rosson 1990d) reported the following most important objectives: (1) testing market for demand, acceptance, and competitiveness; (2) making business contacts; (3) maintaining presence in the market; and (4) meeting regular customers and agents/representative/distributors. Over 50 per cent of the respondents reported the results for objective 2, 3 and 4 as excellent, while the fulfilment of objective 1 was only mentioned as excellent by 22 per cent. Hibbert (1990) suggested that TM participants were mainly concerned with either market exploration or development, with surveying prospects and methods of conducting business, or with appointing agents and promoting or actually selling goods. As can be seen from the above findings, the objectives for participating in TMs are more strategic than economic.

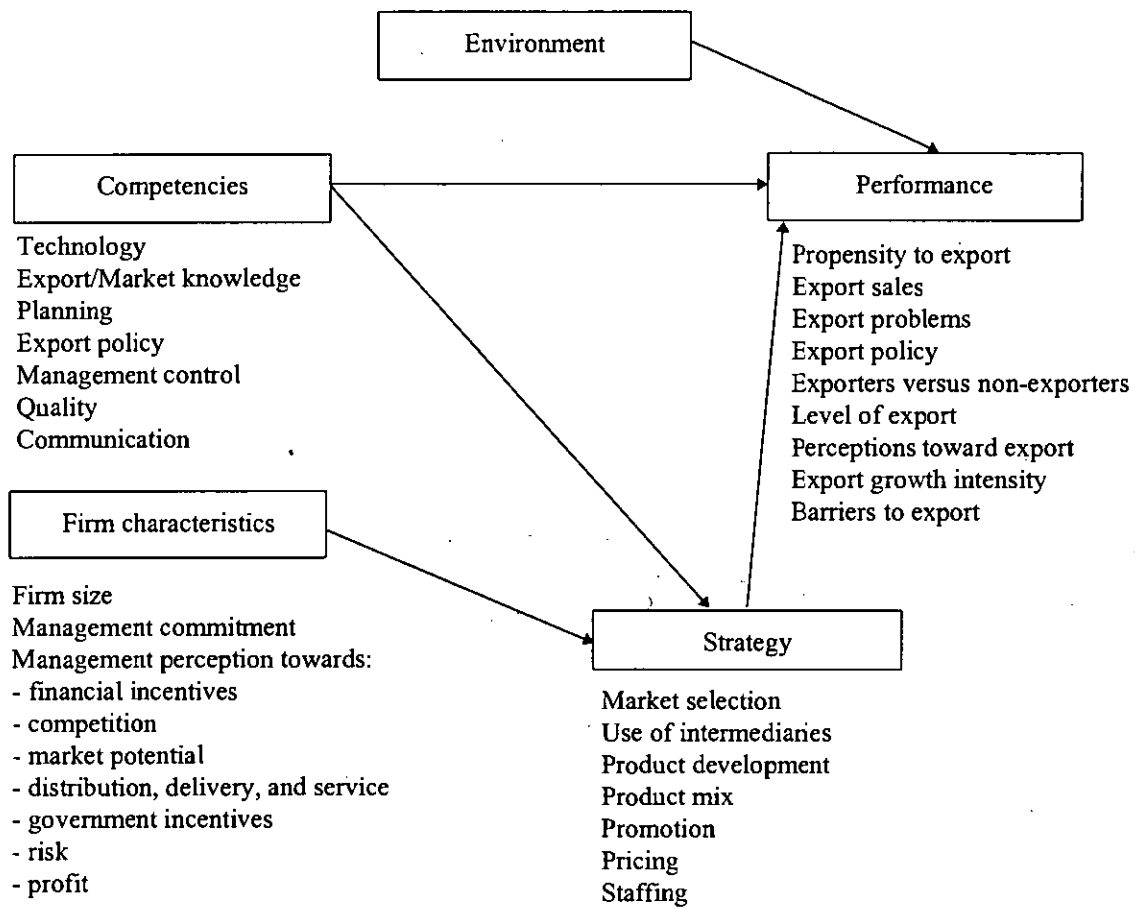
4.5 PREVIOUS MODELS OF EXPORT PERFORMANCE

4.5.1 Export Performance Models - 1978 to 1988

The assessment of export performance has been the topic of numerous studies for the past two decades. Authors have suggested a number of models to determine the best predictor variables to export performance. The first wide scale research reviewing these was presented by Aaby and Slater (1989) and reproduced in Figure 4-2. The study covered ten years of export performance research from 1978 to 1988. Predictor variables to export performance were grouped in four categories: firm characteristics (firm size, management commitment and perceptions), competencies (planning,

knowledge, technology, etc.), environment (domestic and international), and strategy (product mix, market selection, etc.).

In the same paper, the different groups of variables were shown to influence export performance in the following way: (1) firm characteristics had a direct influence on strategy only; (2) competencies were shown to influence both strategy and performance; (3) environment had an impact on performance only; and (4) strategy directly influenced performance.



Source: Aaby and Slater, 1989.

Figure 4 - 2: A General Model For Assessing Export Performance

Since this model summarised ten years of research on export performance, it may have overlooked some details from individual studies. Nevertheless, it gave a clear picture of the interrelationships between major groups of influencing variables. A number of

shortcomings can however be noted. Firstly, it is recognised that although no control can be exercised on the environment, successful firms should adapt their strategy to fit the context in which they are operating (Douglas and Craig 1995). Therefore, environment should also be linked to strategy. Secondly, it has been demonstrated that strategies have usually been based upon the perception management has about the environment, rather than from the actual evaluation of past performance (Louter et al. 1991). Hence, it would be useful to develop more subjective measures of export performance, 'perceptions towards export' being the only such measure included in the Aaby and Slater's (1989) model.

In this model, one may also argue with the position of government incentives under firm characteristics, rather than, for instance, as an intervening variable facilitating export performance. Finally, this model is static. It gives a snapshot of export performance at a moment in time, but does not consider the dynamics of the process.

4.5.2 Export Performance Models - 1989 to Date

Since Aaby and Slater's (1989) research was conducted, other models have been developed along the same lines. Variables influencing export performance can be grouped under the same headings: firm's characteristics, competencies, environment, and strategy, although the names chosen by some authors might have been different (Cavusgil and Zou 1994, Naidu and Prasad 1994, Walters and Samiee 1990). An improvement on Aaby and Slater's (1989) model has been that environment was more likely to be shown to influence strategy. Another feature worth mentioning is the attempt, in more recent research, to capture the dynamics of export success with contingency models which present variables on a continuum as opposed to being static. One such model was developed by Yeoh and Jeong (1995).

Still, these more recent models have not considered the role EPPs may have in influencing export performance. As seen previously (Section 3.2), EPPs have been designed to alleviate export barriers, and as such would influence export performance. These models also did not allow for the evaluation of export performance over time.

There is, therefore, the need to develop a model that takes into account the role of EPPs on export performance over time, albeit the difficulties in evaluating these programmes and their impact as developed in the previous sections of this chapter.

4.6 CONCLUSION

This chapter reviewed major considerations to take into account when designing evaluative studies for government programmes. It outlined the difficulties in developing appropriate units of measurement of impact for export promotion programmes. The discussion covered the theoretical advantages and disadvantages of objective and subjective constructs for government programme impact and concluded that multidimensional constructs of impact should be used. A number of studies concerned with government programmes awareness, reach and effectiveness were reviewed to illustrate the theoretical issues mentioned previously with practical examples. Considerations concerning measures of impact were then applied to overseas trade missions. Finally, a critique of various export performance models was provided.

The following chapter will incorporate the previous discussions on SMEs export behaviour, evaluation of government programmes and trade missions into a comprehensive model of trade mission outcomes and export performance.

5. TRADE MISSION OUTCOMES AND EXPORT PERFORMANCE MODEL

5.0 INTRODUCTION

The three preceding chapters reviewed the export behaviour literature and presented various methods that have been used to evaluate export promotion programmes. Building on this review, this chapter defines the research problem in a detailed manner. Interviews with participants helped provide a better understanding of the research problem, which is presented in Section 5.1. This research problem is then transposed into a conceptual framework (Section 5.2). Section 5.3 explains the development of the hypotheses. Finally, methodological contributions of the model for this study are outlined in Section 5.4.

5.1 THE RESEARCH PROBLEM

5.1.1 Research Background

The literature review on export behaviour and government export assistance for international trade promotion, as seen in Chapters 2, 3 and 4, has outlined a number of problem areas:

1. The use of TMs as an export marketing tool has received little attention in the academic field. Seringhaus is one of the only authors to have investigated this topic

and differentiated between users and non-users of TMs (Seringhaus 1984, 1987a, 1987c, 1989, Seringhaus and Mayer 1988).

2. Previous studies have compiled the evaluation of TMs together with the evaluation of other EPPs, thus giving an incomplete picture of their impact (Pointon 1978, Seringhaus and Botschen 1990).
3. Few attempts have been made to date to suggest measures of TM outcomes. The development of a multidimensional construct of TM outcomes would aid understanding the TM process as well as the role and impact of overseas TMs on export performance (Seringhaus and Rosson 1990d).
4. Although several models of export performance have been suggested and variables having the most influence on export performance have been identified (Aaby and Slater 1989, Katsikeas et al. 1996, Madsen 1989), no such model exists to assess TM outcomes and the variables that influence these outcomes.
5. Due to time and resource constraints, most studies in the area of evaluation of EPPs have been cross-sectional. The lack of longitudinal studies has created a gap in the demonstration of causality between government programmes and export performance. Also, the 'snap-shot' approach of previous studies has failed to shed light upon the learning process that takes place during and after the TMs.

The primary objective of this study is therefore to develop a framework to: (1) identify the predictor variables to TM outcomes, and (2) explain the process of knowledge acquisition and export performance over time through TM participation.

Thus, this study would contribute to a better understanding of the TM process and of the interactions between experiential knowledge acquisition and incremental export performance in export markets. The UK context has been used.

5.1.2 Research Questions and Objectives

As seen in Sections 4.4 and 4.5, very little is known about the factors influencing export performance following participation in overseas TMs. None of the studies conducted in

this field (Balabanis and Crilly 1996, Seringhaus 1984, Seringhaus and Rosson 1990d) focused specifically on the variables that are most likely to lead to TM success, nor did they give a detailed assessment of TM outcomes and how these may be linked to export performance over time. The present study is a first attempt in this direction and seeks to provide preliminary insights into the following problem areas:

- To identify the key factors among firms' structural and knowledge characteristics, market characteristics and TM participation that contribute most to TM outcomes and, as a consequence, to export performance;
- To determine that TMs add value to the overseas market entry process over time provided they prioritise the acquisition of experiential knowledge.

The objectives of this research are therefore threefold:

1. To establish a relationship between, firms' structural and knowledge characteristics, country characteristics and TM participation on TM outcomes;
2. To evaluate the extent to which TM outcomes impact on export performance over time; and
3. To examine the influence of the acquisition of market specific experiential knowledge on firms' behaviour, TM outcomes and export performance.

In order to fulfil the objectives of the research, it is first necessary to gain an understanding of the decision-making process that leads to participation in overseas TMs and subsequent market evaluation.

5.1.3 TM Process Diagram

Reason (1988, p. 9) described the research process as a 'dialectical engagement with the world'. When a researcher's own thinking based on past experience and research fails to advance the research process, opening up to the world becomes necessary. At this stage, because of the scarcity of the literature on TMs, gaining further insight into the TM process through exploratory interviews with participants was perceived as the only way forward. A random selection of 11 TM participants were interviewed. These interviews

were conducted either by telephone or face-to-face, depending on the availability of the respondents and their geographical location. They lasted between half an hour to two and a half hours. The face-to-face interviews were taped.

The purpose of these interviews was to gain a thorough understanding of the respondents' motivation for participating in the TMs, their behaviour before and after the TMs, their perceptions of TM success and the knowledge they acquired from TM participation. Respondents were encouraged to answer freely, based on their own experience. When interesting areas were touched upon and intrinsic motivation was achieved, respondents were probed to expand on the topic and to provide a broader understanding of the context (Chisnall 1997), which explains the differences in the length of the interviews.

The following questions were used as a guideline for the interviews:

Firms' motivation for participating in TMs:

- Under which circumstances are TMs most appropriate to use?
- When would TMs not be appropriate to use?

Firms' behaviour before and after the TM:

- What types of activities were you involved with in preparation for the TM?
- How did you follow-up with the contacts you met during the TM? How often?
- Have you modified your products or services to better meet market requirements?
- Have you changed your promotional approach to better meet market requirements?

Firms' evaluation of TM success:

- How would you evaluate export performance?
- Is it different from the way you would evaluate TM performance?
- How could the TM have been improved?

Knowledge acquired from participating in the TM:

- Has your perception of the market changed since your participation in the TM?
- What did you gain from this TM?
- How has first-hand experience of the market benefited the firm?

These interviews were part of the exploratory research phase (Figure 6-1). The answers to these interviews provided an in-depth understanding of the decision-making process linked to TM participation, and the expected outcomes. These results together with

secondary data analysis, and more specifically Seringhaus' model (1989), were used to develop the TM process diagram (Figure 5-1).

Preliminary conditions should exist before the decision to participate in a TM is made. These are that the firm has made the decision to export and it is export-ready. An export-ready firm has a competitive offering and can rely on sufficient human and financial resources to be able to meet potential demand (Barrelier et al. 1992, Hollensen 1998).

Firms' specific characteristics in terms of size, core business activity, past experience and acquired knowledge, as explained in Chapter 2, may influence the TM process (Box 1). Firms react to internal and external stimuli (Box 2) and develop perceptions on the potential of various markets (Box 3) (Keegan 1995). When firms are seriously interested in a market and feel there is potential, they may want to investigate this market further through a visit (Box 4). The visit could either be an individual one (Boxes 5, 6, 7) or the exporters could join a TM (Box 8).

It has been demonstrated that exporters using TMs as an export entry strategy are more systematic, research and planning oriented than non-users (Seringhaus and Mayer 1988). The participants confirmed this approach and stated that they would carry out as much research as possible before the TMs (Box 9). The sources used depend on the level of involvement the firms have already had with the market. When firms have already been doing business with the market, they look at internal data to evaluate the extent of their efforts and the results generated. They also collected sector-specific data. When firms were new to the market, general data about the country's economic and political situation were gathered from various sources (such as market reports, articles, and people with experience in the market). The participants also went to considerable efforts to find suitable lists of customers and agents and to set up appointments before the TMs. At this stage firms may have used the DTI services, or they may have obtained information in more creative ways. For example, a firm manufacturing labelling machines for the pharmaceutical industry contacted the head-offices of their customers in London and asked about the activities of their subsidiaries in the targeted markets. This same firm also contacted suppliers of products complementary to their own for the pharmaceutical industry and visited potential customers with the suppliers.

Based on the information gathered before the TMs, participants set objectives that may be used as benchmarks to evaluate TM outcomes once the events are over (Box 10). Participants mentioned that TMs should be used when firms are in the early stages of working with a country. The purpose of the visit should be to explore the market, to find new contacts, to establish agencies, or solve problems with existing ones. TMs are not suitable when business is well established in the market, or when the agencies are working properly. In these cases, the intricacies of working with a market are well known and the agencies provide the necessary support to conduct business profitably.

TMs have been shown to be market entry facilitators (Seringhaus and Mayer 1988). This was supported by the respondents who reported gaining a detailed knowledge of the market through the information provided by both the organisers and the market (Box 11). This information gathering was both formal and informal. Objective market specific information is first provided formally through a number of meetings. The TMs also provide an informal and comforting environment for the participants as they travelled with other business persons from their own country who speak the same language. As a result, exchanges are facilitated, both at the social and business levels.

After the TMs, participants conduct an evaluation of what they achieved (Box 12). A holistic approach is taken to evaluate TM performance, as a number of factors contributed to their overall satisfaction with the experience. Respondents have indicated that performance could be evaluated on the quality of contacts made, the quality of enquiries received, the type of market information gathered, the opportunity to strengthen existing relationships, and whether their objectives had been achieved. As one respondent stated:

Evaluating TM performance is the most difficult thing in the world. Evaluating TM performance on the number of orders would be wrong. There is no absolute terms of evaluation for 12-18 months after. I would look at the number of useful contacts in the right areas, the potential to do business.

After the TMs, participants conduct a routine follow-up with the contacts they met during the TMs and their agents (Box 13). Within one to three weeks, a courtesy letter to all contacts, even if not potential, is sent. Also, additional information is provided: samples, quotes, brochures. A follow-up fax may have been sent three months later.

Further visits to the market are primarily dependent upon the potential business that may be generated. Some participants leave with a more positive view of the market, others feel that the market is not yet ready for their products. As a consequence, they do not take any further actions in the market and they direct their efforts to countries with more potential (Box 14).

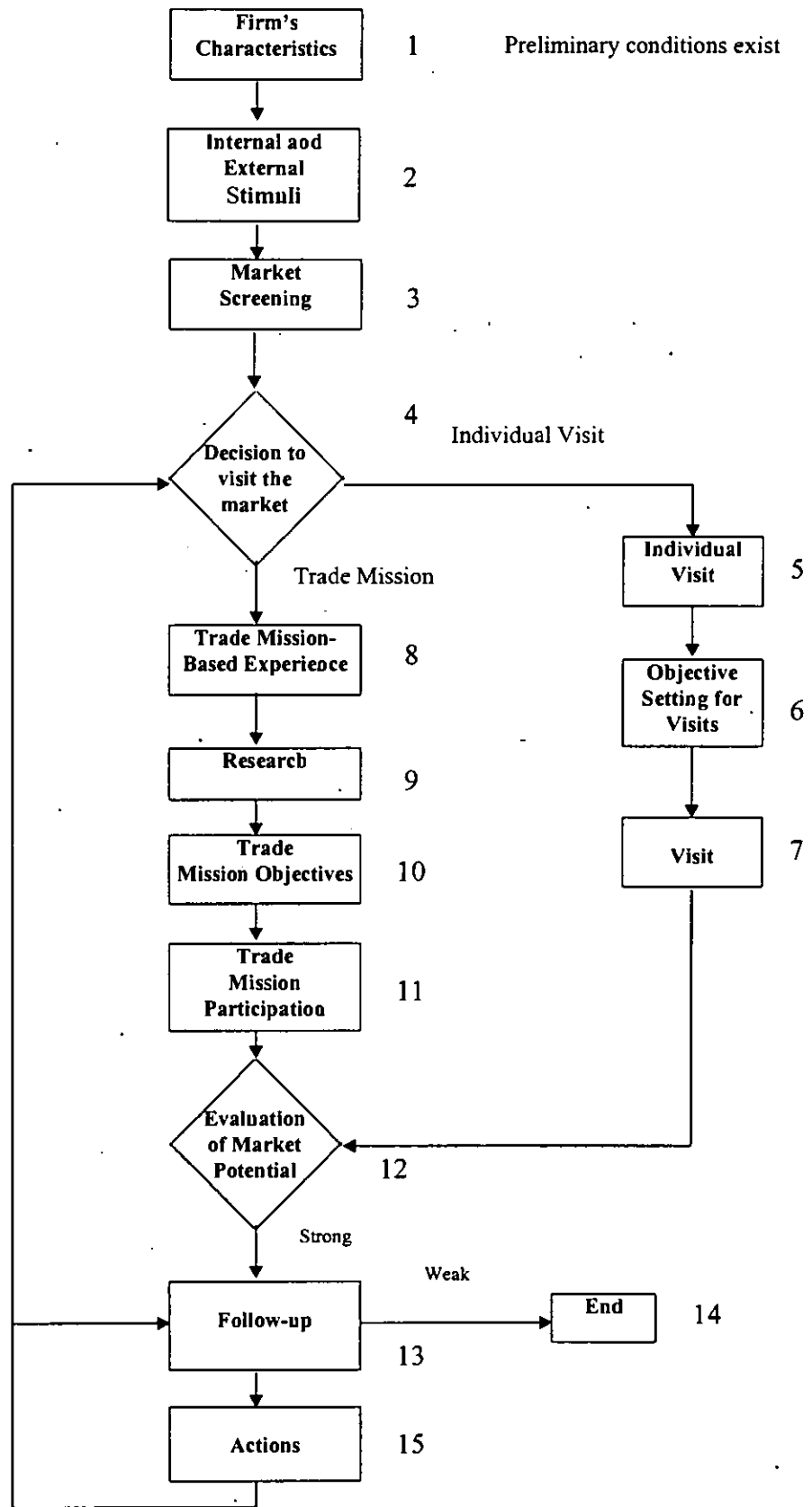
Most respondents measured export performance in terms of sales and profitability. The main difference was in the time they expected performance to come about. Some of them had a long term approach and accepted that further investment in time may be needed before tangible business could be generated. Others expected profitability in the short term.

The contacts met during the TMs provided participants with “first-hand experience on the ground”. They could assess people on the way they worked, and they had “real contacts, face-to-face”. This helped TM participants to modify their approach in the market and tailor their products and services to the needs of their customers (Box 15). For example, one firm used the TM to reactivate business in the market. They discovered what was wrong in their relationship with their agency and took actions.

The experiential knowledge firms acquire during the TMs provides participants with a realistic overview of market requirements and potential, and a better understanding of the competition. In some instances, the products were modified. For example, one respondent started manufacturing a lower range of valves, without compromising on safety, to be able to meet the competition from emerging economies. Their original valves, that meet ISO 9000 standards and are mainly sold in Europe, are too expensive for less industrialised countries. Some respondents also felt that amendments to their promotional material was required.

The knowledge acquired from the information gathered prior to the TMs, from the market itself through direct contacts with local business persons, and from the reactions of these individuals within the following months, led TM participants to better decision-making and resource allocation. Any decision to repeat the process, from visiting the market to committing further resources to it, would be based on the participants perception of market potential. This evaluation of market potential would be based in

large part on the experiential knowledge acquired during the TMs, but would remain primarily subjective at this stage.



Source: Adapted from Seringhaus, 1989.

Figure 5 - 1: The Overseas TM Decision-Making Process

The more thorough understanding of the TM process obtained as a result of the interviews facilitated the development of the research model as developed in the next section.

5.2 RESEARCH MODEL

The suggested model of TM outcomes and export performance in this study addresses issues raised in the evaluation of EPPs (Section 4.5) as well as shortcomings identified in previous models (Section 4.5). Three major issues were taken into consideration in the development of this model.

First, the model differentiated between TM outcomes and export performance in order to take into account the lag time needed for the effects of TM participation to be felt on export performance as suggested by Hibbert (1990) and the TM participants. The measures for these two constructs (TM outcomes and export performance) are explained in Section 6.3. As illustrated in Figure 5-2, the time that elapsed between the TM and the end of the survey period was divided into five periods:

- p_{-1} : Time before the TM;
- p_0 : Time at which the TM took place and the first questionnaire was sent;
- p_1 : Zero to six months after the TM. Time at which the second questionnaire was sent;
- p_2 : Six months to twelve months after the TM;
- p_3 : Twelve to twenty-four months after the TM.

Dividing the elapsed lag time into five periods allowed comparison of the activities and outcomes of participating firms in each period. This design also permitted differentiation between the activities and outcomes over time of firms that had not visited the market before and those that had (Seringhaus 1989). These firms will be referred to later on as new-to-the-market exporters (NTMs) and more experienced exporters (EXPs).

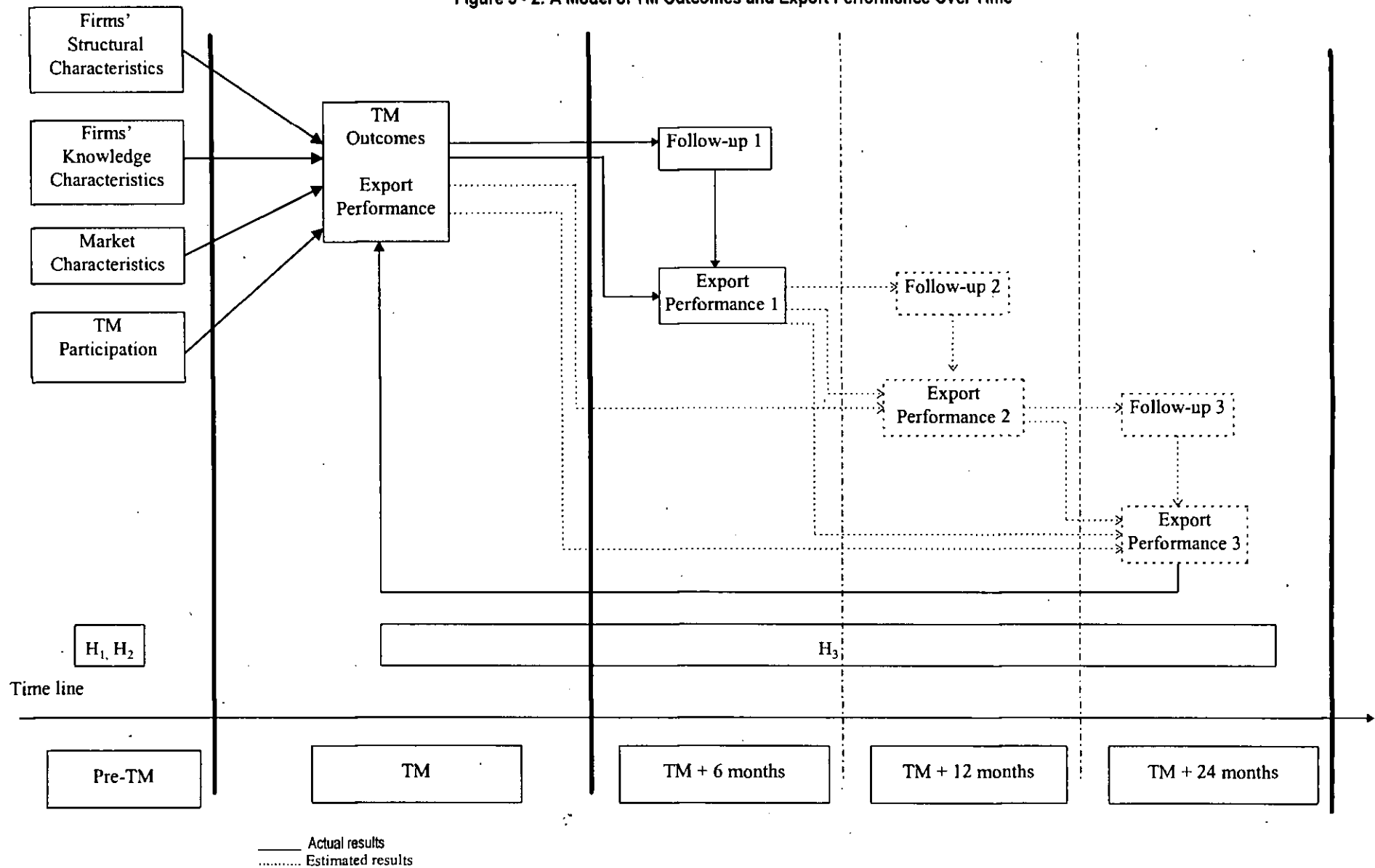
Second, this design also allowed for the evaluation of TMs *per se*, a rare occurrence in export literature. As a result, measures of TM outcomes have been developed. These measures of TM outcomes have taken into consideration the subjectivity of the TM

evaluation process with measures such as acquired knowledge and competence from the TM and satisfaction with the TM. At the same time, objective measures have been included. The industrial network literature has demonstrated that relationship-building between buyers and sellers is a gradual process leading to increasing commitment in a market (Wilson and Mummalaneni 1990). In this study, this process has been quantified using measures such as contacts, leads, quotes obtained, agents appointed, and sales generated during TMs and in the following 24 months.

Third, the premise that TMs are a foreign market entry facilitator has been tested by evaluating the impact of TM participation on export performance.

The research model is presented in Figure 5-2. This model serves as a benchmark to assess data needs and data collection methods as explained in Chapter 6. The review of the literature from Chapters 2, 3 and 4 and interviews with participants helped identify specific groups of explanatory variables as potential influencers of TM outcomes and export performance. These are: firms' structural characteristics, firms' knowledge characteristics, foreign market characteristics, TM participation, and follow-up activities. The justification for the choice of these variables is presented in Section 6.3. The following sections in this chapter discuss the linkages and relationships between the variables and develop the hypotheses.

Figure 5 - 2: A Model of TM Outcomes and Export Performance Over Time



5.3 DEVELOPMENT OF HYPOTHESES

5.3.1 Firms' Structural Characteristics

As explained in Chapter 2, a number of characteristics influence export and export performance in SMEs. In order to keep the questionnaire manageable, only these characteristics which have been considered as most influential or those for which mixed findings have been found have been included in the hypotheses.

The relationship between firms' size and impact on export performance has been debated (Aaby and Slater 1989, Czinkota and Johnson 1983, Calof 1994). Some authors have shown that firm's size is linked to availability of resources, which in turn is linked to export intention (Reid 1981) and performance (Culpan 1989). Some relationships may be explained by the fact that larger firms have the resources to acquire the required skills to be more efficient on export markets (Ali and Swiercz 1991).

In the area of TM participation and performance, Seringhaus (1989) found that firms' structural characteristics measured in terms of size, sales growth, skill intensity level and organisational membership are not a significant discriminator in the analysis of the role of TM in exporting. Spence (1996) demonstrated that firm's size measured in terms of number of employees and turnover were not correlated to export performance following TM participation.

Other authors have argued that firm's size is not important so long as the right strategy is chosen (Culpan 1989). This can be explained by some of the concepts in strategic management. Literature in this area demonstrated that 'goodness of fit' between a firm's internal and external environments tended to increase performance (Thompson and Strickland 1990). As a consequence, a firm's performance should not be affected by its structural characteristics if the appropriate strategy is implemented. Eriksson et al. (1997) showed that experiential market knowledge gained from several country markets enhanced the adaptation of the firms' internal processes. In turn, this gradual internationalisation process helped managers gain more realistic expectations about new foreign markets. Here again, strategic formulation based on experience is more instrumental for export performance than firms' structural characteristics.

Firms' core business characteristics also influence export. It has been demonstrated that critical success factors for SMEs vary according to the industry sector (Gadenne 1996). A critical success factor for service firms is 'employee relations'; for manufacturers it is 'competitive advantage'. Furthermore, Gadenne (1996) showed that critical success factors for service firms are independent from the environment, while the opposite is true for manufacturers. As a consequence, service firms and manufacturers may perform differently in foreign countries, especially in the early stages of market entry.

5.3.2 Firm's Export Knowledge Characteristics

As seen in Section 2.1, lack of knowledge or 'knowledge barrier' is considered to be an on-going problem for non-exporters as well as for exporters because of its inhibiting effect on export expansion and performance (Ramaswami and Yang 1990). Three types of knowledge, general knowledge, objective knowledge, and experiential knowledge, were shown to be contributors to export performance. However, it was also demonstrated that experiential knowledge was more instrumental than objective or general knowledge in the achievement of export success because it provided hands-on experience in the market (Johanson and Vahlne 1977, Denis and Depelteau 1985).

The following sections explain the constructs for the group of variables 'firms' export knowledge characteristics'. These constructs have taken into consideration the various types of knowledge that firms may have acquired prior to participating in TMs:

- Export experience which brings general export knowledge;
- Market specific objective knowledge; and,
- Market specific experiential knowledge.

This study does not specifically distinguish between firms' international experience which is the pool of experience gained by various individuals within the firm and passed down to newcomers, and personal international experience gained by the managers participating in the TMs. Firms' export knowledge characteristics therefore includes the aggregated experience of various individuals working for the firms investigated.

5.3.2.1 Export Experience

Export experience has been defined as the acquisition of incremental knowledge and increased commitment to export markets (Johanson and Vahlne 1977, Bell and Young 1996). According to these authors, general knowledge gained from export experience can be easily adapted from one country to another. It also facilitates lateral growth. Other authors have stressed the importance of export experience for a firm's export success (Aaby and Slater 1989, Madsen 1989). Another dimension of export experience to consider is TM experience. Participation in several TMs prior to the TMs investigated may have helped firms to set up processes in order to become more efficient on subsequent participation. This type of TM experience can also contribute to the setting of more realistic objectives about future TM performance and market potential (Eriksson et al. 1997).

Managerial characteristics were also considered to have an influence on export propensity and performance (Cavusgil 1984b, Garnier 1982, Lim et al. 1991, Pavord and Bogart 1975, Reid 1980). A such, proficiency in foreign languages was found to be a proxy to international orientation (Cheong and Chong 1988, Keng and Jiuan 1989, Reid 1981) as this brings a more thorough understanding of foreign cultures and facilitates communication between business partners.

5.3.2.2 Market Specific Objective Knowledge

Market specific objective knowledge can be acquired from various sources such as export assistance, export market research, and any publications and courses international marketing managers may have access to. However, it has been shown that the way in which information is acquired is mostly on a ad hoc basis and differs with firm's international development (Cavusgil 1984a).

As mentioned in Section 2.2, the main roles of objective knowledge are to lower the managers' perceptions of export barriers and to enhance export performance. Branch (1990) and Hibbert (1990) stressed the importance of preparatory activities on incremental export outcomes. Other studies have identified planning activities as an important export success factor (Madsen 1989, Walters and Samiee 1990). In spite of

Diamantopoulos and Hart's (1993) study in which export market research was not found to have an impact on export performance, authors have tended to agree that objective knowledge positively influences export activities (Keegan 1995, Douglas and Craig 1995).

5.3.2.3 Market Specific Experiential Knowledge

Experiential knowledge about the target market has been found to be instrumental in the acquisition of an in-depth understanding on how to conduct business in that market. This may be because a 'feel' for the market can only be acquired in the field (Reid 1981). Subsequently, firms gradually increase their commitment to the market as more knowledge is acquired (Johanson and Vahlne 1977). If no potential is perceived in the market, then resources are not wasted, but are instead directed towards more profitable markets, enhancing both TM outcomes and overall export performance for the firm.

The above discussion on firm's export knowledge characteristics leads to the conclusion that export knowledge, whether general, objective, or experiential facilitates entry into export markets, as illustrated in Figure 5-2. Therefore the following hypothesis is put forward:

H₁: Firm's knowledge characteristics are more influential than firm's structural characteristics in predicting TM outcomes.

5.3.3 Target Market Characteristics

In the case of exports, foreign market attractiveness can be partly explained by international trade theories. Linder, for example, based his theory on the principle that a country's level of income will determine the level of sophistication of its product demand (cited in Czinkota et al. 1996). Some markets may not be ready for the products or services that firms have to offer. As a consequence, product ranges may have to be adapted to better suit the market, especially for technology-oriented products. Faced with this situation, some firms may opt not to invest any more effort in the market and to wait until the country has reached a level of development such that their products are more readily accepted.

Firms may carry out a preliminary screening of potential markets to assess the countries' attractiveness and select the most viable ones. These pre-screening activities use macro-economic data such as growth national product (GNP) per capita, restriction on imports, number of doctors per thousand inhabitants, etc. Firms then cluster countries according to their level of attractiveness. They may conduct a more in-depth investigation on a restricted number of countries with criteria such as product/ market industrial growth rates, market size, and market potential. However, lack of human and financial resources may lead SMEs' managers to base their market selection on intuition rather than systematic screening (Hollensen 1998). The first few stages of market screening may be overlooked when internal or external stimuli trigger a visit to a foreign country where market potential could be assessed first-hand.

Acquisition of the required experiential knowledge to assess market attractiveness may be gained through TM participation. Even if market conditions are not considered favourable to some firms, TMs may still be deemed successful as they provide the information required to conduct a realistic assessment of the market. The above considerations suggest that market characteristics may influence the types of follow-up actions a firm would take as explained in Figure 5-1. These actions would optimise the firm's resource allocation by targeting the markets with the greatest potential. Whether gained systematically or intuitively, market knowledge is instrumental in drafting the appropriate strategies (Eriksson et al. 1997). Therefore, the following hypothesis is put forward:

H₂: Firm's knowledge characteristics are more influential than market characteristics in predicting TM outcomes.

These linkages are shown graphically in Figure 5-2.

5.3.4 TM Participation and Follow-up Activities

Various features in the TM scheme help facilitate the relationship-building process between business partners in different countries. The TM sponsor offers a comprehensive package that reduces preparation for the TM to a minimum for the participating firms. As a consequence, the participating firms, especially the SMEs, have more time to plan their visit and they can focus more on strategic activities. They

can focus on acquiring objective knowledge about the market (which is facilitated by the TM sponsor and the DTI country desks) and on arranging meetings with influential business partners. TM participation also facilitates the acquisition of contacts through official functions and group synergy. This, in addition to the travel grant, increases firms' efficiency and saves costs when compared to an individual visit, especially when the firm has never dealt with the market before. The objective of the scheme is therefore to reduce export barriers and consequently to encourage firms to explore or expand into new foreign markets (DTI 1996).

The literature on industrial networks stresses the importance of interaction and exchanges (such as follow-up activities after a visit) between potential business partners (Ford and Rosson 1990). Whether exchanges are performed through personal or impersonal means (such as letters and faxes), regular contacts enhance commitment and strengthen relationships (Cunningham and Turnbull 1982). Once the first personal interactions have been facilitated through TMs, exchanges of technical and commercial information help each party to assess the other's competence and adequacy. Relationship-building is a gradual process that follows a specific pattern. For example, Wilson and Mummalaneni's (1990) model of buyer-seller relationship development stresses that if both parties are satisfied with the outcomes of these preliminary exchanges, greater investment in the relationship may be expected. This, in turn, would lead to more extensive commitment until the ultimate goal is achieved – the exchange of goods or services for money (Figure 5-2). Therefore the following hypothesis:

H₃: TM participation and follow-up activities over time are instrumental in enhancing export performance.

Following the development of the three hypotheses described above and which will be tested in Chapter 8, a discussion on how this conceptual framework contributes to the field of research in international marketing is now appropriate.

5.4 MODEL CONTRIBUTIONS AND LIMITATIONS

5.4.1 Model Contributions

Recognising the importance of the internal and external environments to export performance, the proposed conceptual framework includes variables from both environments. The model integrates firm's structural and knowledge characteristics, market characteristics, and post-TM activities in a comprehensive framework. The model also differs from these previously developed in the export performance literature in that it integrates 'participation in overseas TMs', a government subsidised programme, in the evaluation of export performance. This approach was suggested by Diamantopoulos et al. (1993) as a gap existed in this area of export performance literature.

The time frame between TM participation and changes in trade patterns has also been catered for. This was achieved through a longitudinal study, encompassing a six-month time span for the second data collection and another 18 months of estimate of performance. Therefore, the model should lead to a better understanding of the TM process and the impact TMs have on participating firms' future behaviour and performance in the market. No other longitudinal studies have been conducted in this field of export marketing, aside from the pseudo-longitudinal study carried out by Seringhaus (1984).

Finally, the model design allows for the evaluation of TMs separately from the evaluation of export performance. Therefore, measures of TM outcomes had to be developed, a rare occurrence in export marketing, except for Seringhaus and Rosson's (1990) study.

As no investigation can answer all questions, the constraints of this study are now addressed.

5.4.2 Model Limitations

Longitudinal studies tend to suffer from case losses and consequent biases. Respondents expressed fatigue and reduced motivation during the follow-up phone calls. Therefore, it is unlikely that more investigations could have been carried out on the sample.

Furthermore, the time frame of six months after the event was chosen because of time constraints. However, this may bias the results of export performance as only 54 per cent of the respondents expected tangible results from the TM within the six months following the event. To overcome this shortcoming, estimated performance 24 months after the TM was reported. Although forecast present inaccuracies (Mathews and Diamantopoulos 1995), they give an indication of general trends.

A number of authors have stressed the importance of management export orientation on export performance (Axinn 1988, Czinkota and Johnson 1983, Gray 1997). This research design incorporated this dimension under the group of variables 'firms' knowledge characteristics' with the variables *language proficiency* and *market language*. A number of other variables measuring management export orientation could have been considered such as managers' age, education, foreign experience, personality, and values (Dichtl et al. 1984). However, this study focuses more on the concrete actions undertaken by managers to confirm their international orientation, than on their personal characteristics.

These constraints should not be considered as major deterrents to the interpretation of data as they occur in most export marketing surveys.

5.5 CONCLUSION

In this chapter, the rationale for developing a model that determines predictor variables to TM outcomes and export performance over time following TM participation has been explained. Shortcomings from previous studies were identified and were used to express the research questions and objectives. Prior to developing the research model, in-depth understanding of the TM process had to be understood. This was achieved through qualitative interviews with participants from which a trade mission decision-making diagram was developed. The suggested research model addressed opportunities for

further research discussed in previous studies such as the evaluation of TMs outcomes and their impact on export performance over time. The linkages between the independent and dependent variables were explained and three hypotheses were developed. The chapter ended with a discussion on the contributions and limitations of the model. In the following chapter, the research methodology and design will be justified.

6. RESEARCH METHODOLOGY AND DESIGN

6.0 INTRODUCTION

The preceding chapters of this study provided the theoretical background on which the research was based and from which a model and hypotheses were developed. The following chapters will give empirical evidence of the issues investigated by presenting the methodology and research design, testing the hypotheses, and concluding with implications for managers and public policy.

This chapter gives a detailed overview of the research design developed for the study (Section 6.1). The data collection process is explained in Section 6.2, followed by justification of the choice of variables and the response format (Section 6.3). Section 6.4 discusses the questionnaire administration and presents an overview of the pilot project used for this research. Finally, validation issues are outlined in Section 6.5.

6.1 RESEARCH DESIGN

6.1.1 The Research Process

This study is partially positivist. This research philosophy implies that phenomenon are being investigated through the observation of facts and these facts are measured objectively (Easterby-Smith et al. 1991). Such an approach is possible with problem domains that are well defined and that are based on accepted concepts. Although TMs *per se* have not been the focus of many empirical investigations, they can be placed within the wider framework of international trade promotion, export market entry

strategies, export behaviour and international marketing. These are areas that have been researched extensively resulting in theories that can be applied to this study. Once the relevant theories have been organised in a logical framework, hypotheses are developed and tested through an empirical study.

This approach, also called hypothetico-deductive research, combined with a longitudinal analysis, has been favoured as it would better fulfil the objectives of the study. As seen in Chapter 5, these objectives are primarily to establish trends over time in the phenomenon being investigated rather than probe the underlying reasons why these phenomenon happen. Gaining an insight into the subjective reasons that triggered the facts measured in this study would be better investigated through an inductive approach. However, this was not the primary purpose of the present study. Moreover, a hypothetico-deductive approach is generally preferred for evaluative studies “because it gives [government agencies] more power and control over what will take place” (Easterby-Smith et al. 1991, p. 70).

Gill and Johnson (1991) mentioned that the researcher’s background has an impact on the choice of research approach. The researcher lived in Canada for many years, where research based on hypothetico-deductive methods is generally the norm. At the beginning of this project the researcher was also new to the UK. She felt she lacked the relevant cultural insights and the in-depth understanding of social usage and customs to be able to fully investigate the problem through a deductive approach.

The following parts of this chapter describe and justify the research design selected for this study. Figure 6-1 gives an illustration of the research process undertaken for this thesis.

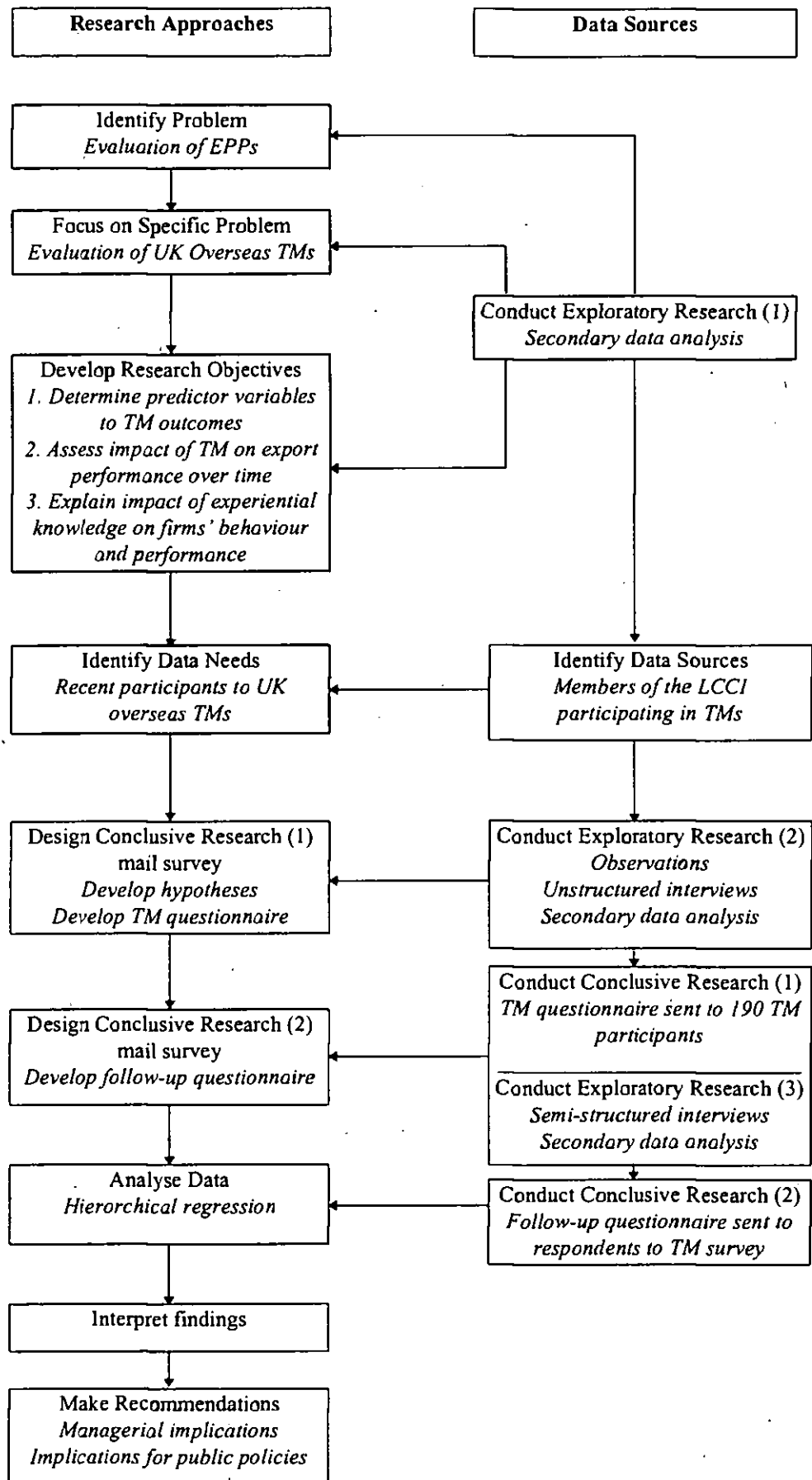


Figure 6 - 1: The Research Process

6.1.2 Data Needs

The focus of this study was to develop a theoretical framework to identify the predictor variables to TM outcomes and to examine whether the experiential knowledge acquired from TM participation would result in changes in firms' trade patterns in the target markets. One of the purpose of this investigation was to track changes in firms' trade patterns occurring over time. This called for a longer time horizon as suggested by Diamantopoulos et al. (1993), Nyberg (1987), and Seringhaus (1987b). A longitudinal study in which data was gathered at two points in time was developed. The first data collection occurred immediately after the TM and the second six months later. Within this longitudinal study, the 'lag' effect between promotional activity and changes in sales patterns has been taken into account.

As explained in Section 3.3, research in the area of TMs has been scarce. This study is a first attempt in trying to develop a framework explaining the TM process and how it can best be used by participating firms. This study is also an evaluative research. One of its purpose is to demonstrate whether TMs, a government subsidised programme, can justify the investment of public funds. As a consequence, a quantitative approach was selected to provide an overview of the main variables that would influence the problem-domain and to assess the existence of a link of causality between TM participation and changes in trade pattern in the targeted markets.

Chisnall (1997, p. 180) reports that: 'The essence of qualitative research is that it is diagnostic; it seeks to discover certain kinds of behaviour. [...] It observes and reflects on the complexity of human activities in satisfying many needs'. Qualitative research could have provided greater insights into the reasons why participants choose to participate in TMs. However, it may have been more difficult to model the dynamics of the process over time with this approach.

Qualitative techniques were used in the exploratory stage of the research to gain an insight into the reasons why firms participate in TMs and to understand the strategies used after the TMs to strengthen the participants' relationships with the targeted markets.

This investigation used a combination of research approaches to gain insights into the phenomena to be investigated and to develop the data collection instruments as illustrated in Figure 6-1. What may *a priori* appear as an eclectic process was dictated by the researcher's urge to understand the subtlety of the phenomena to be tested later on by a quantitative approach. This method discussed by Carson (1996, p. 56) as "linking academic research with 'artistic' practitioner research" provided a richer and more thorough grounding to the investigation.

To address the research objectives put forward in Chapter 4, it was necessary to gather data in three main areas:

- At the micro level, the firm's structural and knowledge characteristics, as well as follow-up activities after TMs had to be taken into consideration. As explained in Chapter 2, these variables have been found to have an impact on export performance;
- At the macro level, characteristics of the markets targeted by the TMs have been considered as exogenous variables that may influence firms' TM outcomes and export performance;
- Finally, the collection of data measuring firms' specific performance in the target market following TM participation was necessary to investigate the impact of TMs on firms' changes in trade patterns.

These types of data could be found only from firms that had exhibited a specific recent behaviour, namely the use of overseas TMs as an export promotional tool. It was decided not to have a control group as the compilation of such a group would have been difficult. Within the context of this study, a control group should have included firms that would have visited the same markets, during the same time frame, and without participating in a TM. The difficulty in compiling such a list since the LCCI does not keep track of activities the members participated in in the past, and company information is confidential, would have made the project unmanageable. Moreover, Seringhaus and Mayer (1988) demonstrated that different managerial and behavioural characteristics were present between users and non-users of TMs. Although it would have been worthwhile to compare two such groups, the difficulties in finding a suitable control

group within the constraints of the study may have made the comparison questionable. Instead, respondents were asked to draw on their own experience with other market entries in other countries. They then compared the present market entry with one without TM participation.

6.1.3 Selection of Sample

6.1.3.1 Data Sources

Among the 100,000 UK exporting firms (Hanley 1996), entities that had recently participated in overseas TMs organised by the DTI were needed for this survey. Firms' participation in government-sponsored overseas TMs has generally not been listed in public sources because of the relatively rare occurrence of the event (approximately 2,500 firms per year in the UK, out of 3.6 million SMEs). There is also a limited interest in this specific data. The LCCI, one of the DTI sponsors, provided access to firms with relevant characteristics (Figure 6-2).

The choice of the LCCI was influenced by its impact on the British business community. The LCCI is the largest Chamber of Commerce in the UK with approximately 4,000 member firms. It counts among its members companies from a large geographic area and a wide range of industries and has been acting as a DTI sponsor for about 20 years. Given the characteristics of the sponsor in terms of experience, geographic and industrial coverage, the sample selected could be considered representative of the average UK exporting firms.

Most TMs organised by the LCCI are horizontal, that is, participating firms come from various industry sectors. The LCCI organises an average of 18 TMs a year, that is the equivalent to 10 per cent of the DTI-supported TMs in 1995/96. The total population of DTI-supported TM participants for 1995/96 was about 2,450 firms, representing three per cent of UK exporting firms (DTI 1996). The sample of firms for this survey consisted of all the firms (190 in total) that participated in 12 of the TMs organised by the LCCI and sponsored by the DTI in 1996. The remaining six TMs were organised in collaboration with other Chambers of Commerce or Trade Associations and access was not granted.

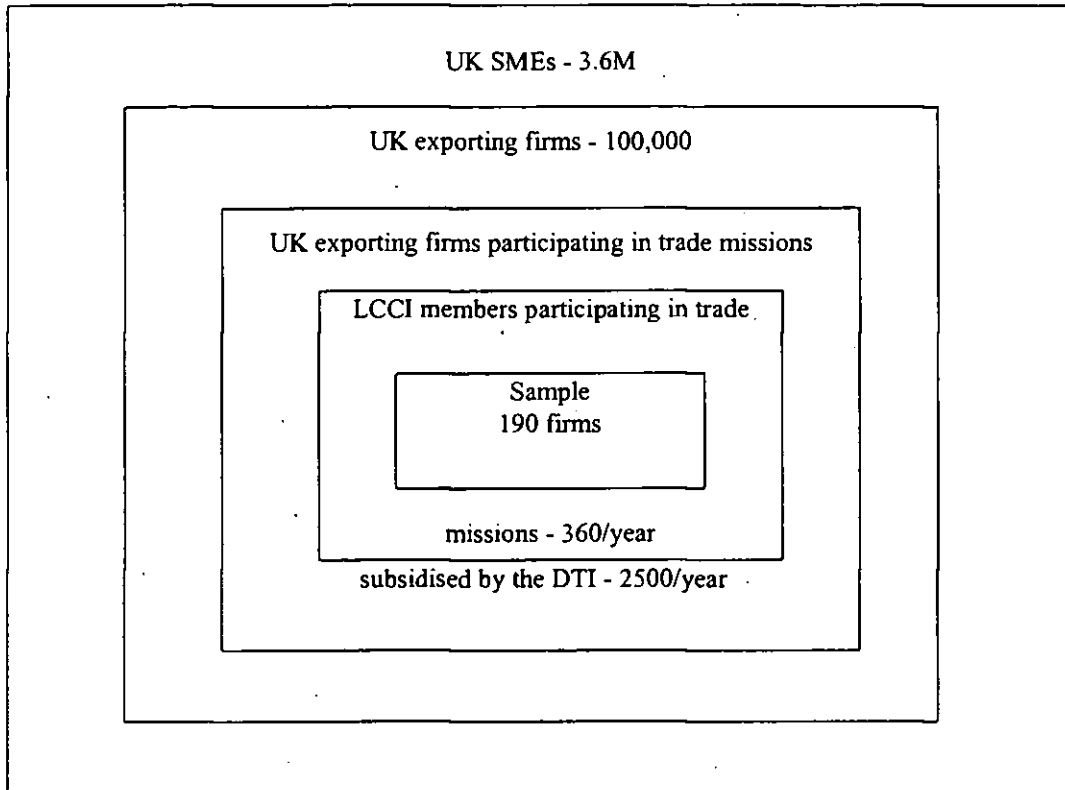


Figure 6 - 2: From Population to Sample

6.1.3.2 Participating Firms

As explained in Chapter 3, the DTI selects its TM sponsors (such as Chambers of Commerce and Trade Associations) in April each year. The TMs sponsors then start planning, promoting, and organising the events allocated by the DTI. Recruitment of participating firms starts four to five months before TMs take place. Promotion for the events is conducted systematically through a limited number of channels: direct mail to all LCCI members as well as companies that recently contacted the DTI market desks or the British Embassy in the targeted markets, press releases to relevant media, and word-of-mouth.

For each TM, a balance is to be achieved between firms that are already familiar with the market and new exporters to the market. This policy allows experienced companies to mentor less seasoned ones.

6.1.3.3 TM Participants

TM participants are generally managers with expertise in the required products or services. They are also empowered to make decisions on the spot. For the purpose of this survey, it was necessary to capture first-hand information gathered from the field by those individuals. The information collected from them was closely related to the TM activities and the results obtained during and after the TMs. Therefore, the key respondents could only be those managers who participated in the TMs and no substitute for completing the questionnaire was encouraged.

6.2 THE DATA COLLECTION PROCESS

This research being causal, it was necessary to gather a large number of structured data in order to apply relevant analytical methods such as regression analysis, which will be explained further in Chapter 7 (Malhotra 1996). As will be seen in Section 6.5, the TM participants surveyed in this research came from wide geographical areas in the UK and were busy executives often travelling abroad, making them difficult to reach, even by telephone. For these reasons, a mail survey was chosen as the main primary data collection method (Emory and Cooper 1991). This data collection method was also applied by two other major empirical studies on TMs conducted in Canada (Seringhaus 1984, Seringhaus and Rosson 1990d).

For the purpose of this survey, two different questionnaires were distributed six months apart (immediately after the TMs and six months later). Both questionnaires and the accompanying cover letters can be seen in the Appendix.

6.2.1 TM Questionnaire

The design for the first questionnaire used a funnel approach. It started with general classification data and ended with specific quantitative data on TM outcomes and future market potential. This technique of questionnaire design leaves the most difficult and

intrusive questions for the end to maximise response rate. If sensitive questions are asked at the beginning, respondents are more likely to stop answering early on and the questionnaire would not be usable (Malhotra 1996).

The objective for the first questionnaire used for this thesis was to obtain background information on the TM participating firms and to ask about their activities before and during the TM. The questions were grouped into three sets to increase respondents' ease in answering:

1. Firms' demographic characteristics (such as age, size);
2. Firms' export experience and pre-TM activities (such as number of years of export activities, whether the firm conducted desk research before participating in the TM);
3. Firms' TM experience, objectives and outcomes (such as number of TMs already attended, objectives for participating in the TMs, and outcomes generated from the TMs).

The questionnaires were coded so that the second data collection exercise would only take place with firms that had answered the first questionnaire.

6.2.2 Follow-up Questionnaire

The purpose of the second questionnaire was to gather quantitative and qualitative data on the activities performed by the firms in the target market following the TMs. TM participants who responded to this second questionnaire had six months to evaluate market potential. As a consequence, they could start drafting a strategy for the market. Participants were asked to predict the most likely outcomes in the market for the six to twelve months and twelve to twenty four months following the TMs.

The responses to the interview questions presented in Section 5.1.3 together with secondary data analysis were used to develop the follow-up questionnaire.

The questionnaire was divided into three parts:

1. Follow-up conducted since the TMs (in terms of frequency and types of contacts with the established relationships);
2. Quantitative outcomes obtained and anticipated (such as number of agents appointed, amount of sales generated);
3. Knowledge and competence acquired due to TM participation.

The following section describes the variables used in both questionnaires.

6.3 DESCRIPTION OF VARIABLES AND RESPONSE FORMAT

The variables included in the design of both questionnaires were selected following a comprehensive literature review in the areas of government programme evaluation, export behaviour, export performance, and knowledge acquisition, as well as from observation of and interviews with TM participating firms. The variables were measured with a range of scales (from nominal to multiple-categories, multi-item scales) whenever relevant. Three- and five-point scales were used as it has been demonstrated that the length of the scale did not have an impact on result accuracy. Moreover, these scales provided an appropriate level of sensitivity of measurement for the study (Malhotra 1996).

6.3.1 Response Variables

6.3.1.1 Measurements

6.3.1.1.1 Quantitative and Qualitative Measures

The response variables (TM outcomes and export performance) were measured both qualitatively and quantitatively as suggested by Nyberg (1987) and Seringhaus and Rosson (1990c). From a government's point of view, the results should be quantified whenever possible (Nyberg 1987). However, Bilkey (1982) suggested that qualitative measures of performance would be more reliable as managers make decisions based on their perceptions and interpretations of results, rather than on the actual results. This view was supported by findings from interviews with TM participants who suggested that TM outcomes were highly subjective. Also, TM outcomes could best be evaluated in relation to the goals each firm had set itself before going on the TM.

6.3.1.1.2 Multi-Dimensional Constructs versus Single Measures

The response variables were also measured with a multi-dimensional construct as single measures tend to lack reliability (Oppenheim 1992, Louter et al. 1991). As suggested by Ford (1997a, 1997b), the export process consists of a number of interactions leading to trust-building between parties. This study evaluated quantitatively the various stages of the process that eventually led to sales as illustrated in Figure 4-1. Qualitative measures were applied to the respondents' satisfaction with the TM process and their perception of acquired knowledge and competencies following TM participation.

Cavusgil and Zou (1994) used this method of performance measurement incorporating both objective and subjective measures, as well as strategic and economic dimensions. This method of performance measurement accounted for several parameters (such as achievement of strategic goals, average annual growth rate of export sales over five years, overall profitability of exporting over five years, and management perceived success of the venture), important to both practitioners and academics.

6.3.1.2 Measures of TM Outcomes

As explained in Chapter 4, TM outcomes, as well as export performance, should include both quantitative and qualitative measures incorporated into a multi-dimensional construct. Quantitative measures of export performance took into account the process that led to sales as suggested by Seringhaus and Rosson (1990c) and Spence (1996). Qualitative measures incorporated the knowledge acquired, and the perceived efficiency of TMs, as well as participants' levels of satisfaction with TMs.

6.3.1.2.1 Quantitative Measures

Quantitative data on TM outcomes were collected during the TMs and up to 24 months later (periods 0 to 3) to capture the dynamics of the process. The quantitative data were collected using the following measures:

- Number of productive contacts made (defined as contacts that are perceived to facilitate the firm's dealings in the market);

- Number of serious leads obtained (defined as leads that have a 'high probability' to turn into sales in the next 12 months);
- Number of requests for quotes/bids;
- Number of new agents/distributors appointed in the target market (Seringhaus and Rosson 1990c);
- Number of new partners appointed;
- Time required to turn leads into sales known as the "lag effect" (Hibbert 1990).

6.3.1.2.2 Qualitative Measures

Qualitative measures of TM outcomes assessed the strategic and managerial reasons as opposed to the economic reasons, for participating in TMs (Cavusgil and Zou 1994). Five major dimensions were used: TM objectives, TM satisfaction, knowledge acquired during the TMs, commitment to the market, and perception of overall performance with respect to outcomes compared with expected performance.

- **TM Objectives:** Respondents mentioned during the interviews that TM performance could only be evaluated according to the objectives set *a priori* by participating firms. Respondents' answers and the literature gave a number of objectives among which fourteen were selected. These were evaluated on a 5-point scale ranging from '5' = 'extremely important' to '1' = 'not important at all'. Respondents were then asked to rank order their three most important objectives from the list provided. This list of objectives follows (Table 6-1):

Table 6 - 1: Objectives for participating in the TMs

Objectives
♦ Establishing productive contacts
♦ Generating serious sales leads
♦ Visiting potential customers
♦ Visiting existing customers
♦ Appointing new agents/distributors
♦ Supporting existing agents/distributors
♦ Appointing new suppliers
♦ Supporting existing suppliers
♦ Increasing sales in the market
♦ Obtaining requests for quotes/bids
♦ Conducting market research
♦ Gathering data about the competition
♦ Obtaining press and PR coverage
♦ Increasing speed and efficiency of market entry

- **TM Satisfaction:** Satisfaction with the achievement of respondents' three most important objectives was used as an indication of TM performance. This was measured on a 5-point scale ranging from '5' = 'very successful' to '1' = 'not successful at all'. Satisfaction was also measured as the respondents' future intentions to participate in TMs in general and to use a TM for their next visit (dichotomous variable). Finally, satisfaction with specific aspects of the TM process was broken down into eight criteria, each one measured on a 5-point scale '1' = 'not satisfied at all', to '5' = 'very satisfied'. Responsibility for the TM process was split between the LCCI and the DTI as indicated in Table 6-2.

Table 6 - 2: Satisfaction with TMs organisation

How satisfied are you with the trade mission to the Philippines?	
<i>LCCI Responsibility</i>	
♦ Quality of support provided by LCCI staff	5 4 3 2 1
♦ Relevance of pre-departure briefing	5 4 3 2 1
♦ Overall organisation of the event by LCCI staff	5 4 3 2 1
♦ Total cost of trade mission	5 4 3 2 1
<i>DTI Responsibility</i>	
♦ Value of activities during the event	5 4 3 2 1
♦ Relevance of contacts made	5 4 3 2 1
♦ Fit of trade mission with the firm's need for export assistance	5 4 3 2 1

‘TM objectives’ and ‘TM satisfaction’ were recorded in the month following the TM to gather the participants’ first impression about the event and to avoid bias due to memory recalls if the same questions were asked at a later date.

- **Knowledge acquired:** TMs are conducive to acquisition of experiential knowledge and consequently, would provide a better understanding of foreign markets. Knowledge acquired during the TM was operationalised using a multi-dimensional construct. The dimensions investigated were: specific experience gained about the target market and about export markets in general; increased awareness of positioning of the firm’s offering in the market; and perceived advantages of TMs compared to individual visits. These dimensions were measured on a 5-point Likert scale ranging from ‘1’ = ‘strongly disagree’ to ‘5’ = ‘strongly agree’ (Table 6-3).

Table 6 - 3: Knowledge acquired through TM participation

State whether you agree or disagree with the following statements:	
• The trade mission enhanced our understanding of the way of doing business in this market	5 4 3 2 1
• The trade mission improved our awareness of international competition offerings in the market	5 4 3 2 1
• The trade mission increased the firm’s level of competence in the market	5 4 3 2 1
• The trade mission experience led to faster market entry	5 4 3 2 1
• The trade mission experience led to a more systematic search of export opportunities	5 4 3 2 1
• When compared to individual visits to an export market, group trade mission participation:	
- has allowed to meet more key contacts	5 4 3 2 1
- has allowed to meet a higher quality of contacts	5 4 3 2 1
- has allowed to lighten the financial burden to the firm	5 4 3 2 1
- provided the firm with a great deal of organisation help	5 4 3 2 1
- has allowed to gain more in-depth knowledge:	5 4 3 2 1
. of the market in general	5 4 3 2 1
. of the business culture	5 4 3 2 1
. of the competition in my sector	5 4 3 2 1
- has encouraged the firm to do business in the market sooner	5 4 3 2 1
- has allowed to receive orders sooner	5 4 3 2 1

- **Commitment to the market:** Increased commitment to the market should follow if the TM is successful (Johanson and Vahlne 1990). Measurement of commitment to the market was performed in two steps. First, respondents were asked about their perceptions of possible changes to their marketing mix, for example ‘the extent to which you felt it was necessary to carry out that activity’. These perceptions were

measured on a 3-point scale '1' = 'not at all', '2' = 'somehow', '3' = 'a great deal'. Second, respondents were asked to which extent the required changes had actually been carried out after six months. This was measured on a 3-point scale '1' = 'not at all', '2' = 'somehow', '3' = 'essentially completed' (Table 6-4). In that case the number of categories on the scales was reduced to three as this number of categories was considered sufficient to provide the needed amount of detail and prevented overburdening the questionnaire (Malhotra 1996).

Table 6 - 4: Commitment to the market

For each of the following activities, please indicate: (a) the extent to which you felt it was necessary to carry out that activity; (b) the extent to which you have actually carried it out.						
	Necessary			Carried out		
♦ Adapt our products/services to the market	1	2	3	1	2	3
♦ Adapt our prices to the market	1	2	3	1	2	3
♦ Adapt our promotional material to the market	1	2	3	1	2	3
♦ Introduce new products to the country	1	2	3	1	2	3
♦ Increase our marketing budget to the market	1	2	3	1	2	3
♦ Make additional business trips to the market	1	2	3	1	2	3
♦ Increase our export commitment to the country	1	2	3	1	2	3
♦ Take other positive actions	1	2	3	1	2	3

- **Perception of overall performance** in the outcomes obtained compared to anticipated performance was measured on a 5-point scale, '1' = 'much worse than expected', and '5' = 'much better than expected' (Bilkey 1982, Koh 1991).

These last dimensions 'knowledge acquired', 'commitment', and 'perception of overall performance' were collected six months after the TMs. As explained in Chapter 4, some time is required to determine the benefits obtained from government programmes.

6.3.1.3 Export Performance Measures

The various types of export performance measures and the issues related to such measures were reviewed in Chapter 4. This study used past, present, and estimated quantitative measures of export performance over a four-year period to assess the impact of the TM over time. The following are the details of the measures used.

- Export performance was measured as the incremental gain in sales and orders received from the TMs (NAO 1996, Seringhaus and Rosson 1990d). These data were collected during the TMs (period 0), and six months later (period 1). Estimates of performance were asked for the 12 and 24 months following the TMs (periods 2 and 3). All of these were measured with discrete variables;
- Percentage of growth in sales in the target market in the two years before and after the TMs (1994 to 1996 and 1996 to 1998) (in percentages) (Naidu and Prasad 1994, Walters and Samiee 1990);
- Percentage of growth in total turnover in the two years before and after the TMs;
- Percentage of growth in export turnover in the two years before and after the TMs;
- Percentage of estimated growth in market shares in the target market during the two years following the TMs;
- Participants' perception of whether future sales could be expected in the market - dichotomous variable.

These measures allowed market dynamics to be captured before and after the TMs and covered two to four years of trade patterns (depending whether the firm was already conducting business in the market before the TMs or not). For the purpose of the present study, profitability in export sales, although used by a number of authors (Bilkey 1982, Louter et al. 1991, Naidu and Prasad 1994), was not considered suitable as firms were generally in the exploratory stage in the market.

All the measures mentioned above permitted both hard and soft data to be included in the analysis, therefore increasing its interpretability.

6.3.2 Explanatory Variables

6.3.2.1 Firm's Structural Characteristics

Several measures were used to assess firms' structural characteristics: experience, size, core business activity, and general proficiency in foreign languages.

- The number of years firms have been established was only used as a classification variable as it has been demonstrated that firms' years in operation does not have an impact on export performance (Miesenbock 1990).
- Several measures of firms' size have been used in previous studies; the most frequent being 'number of employees' and 'sales' (Aaby and Slater 1989, Miesenbock 1990). These measures have also been selected for this study. Answers were recorded on an ordinal scale to ease the questionnaire completion process and coding. In the analysis these data were subjected to parametric tests as the difference between parametric and non-parametric tests when applied to ordinal data does not cause great distortions (Cooper and Shindler 1998).
- Since managers also act on perceptions of results rather than on tangible results (Cavusgil and Zou 1994), subjective measures of firms' size were included in the analysis. These were the managers' satisfaction with the firms' human and financial resources.
- Firms have also been classified according to their main business activities as these activities may impact on the response obtained from the market (Erramilli 1991). Since the TMs used in this research were horizontal, it was impossible to group respondents into specific industry sectors. Hence, four broad categories were used, according to respondents' core business activities: manufacturing, retailing, distributing / wholesale, and service sector. To simplify the analysis, these categories were then reduced to two: manufacturers and service companies.

6.3.2.2 Firm's Knowledge Characteristics

The three groups of variables for knowledge characteristics were operationalised using multi-dimensional constructs.

6.3.2.2.1 General Export Knowledge

General export knowledge is knowledge acquired through export and other international experience. It has been shown that this general export knowledge, often known as 'export experience' positively influences export performance (Miesenbock 1990). Therefore, the amount of export experience gained in other markets was investigated using several dimensions.

- Number of years of export experience - ordinal scale;
- Export intensity (percentage of export sales to total sales) - ordinal scale;
- Number of TMs the firm had already participated in, either in the target market or not - ratio scale;
- Diversification of export sales measured in terms of:
 - ◆ The total number of countries the firm has been exporting to;
 - ◆ The number of regions (up to nine in total) the firm has been exporting to (Seringhaus 1984).

The export experience gained may have led firms to increase their export commitment and better structure their export activities. It has been demonstrated that firms with an export structure (such as an export department) were more successful than those without it as well as firms that committed more resources to export (Cavusgil and Zou 1994, Bilkey and Tesar 1977). Therefore, the three following variables were used to measure this dimension:

- ◆ Existence of an export department - dichotomous variable;
 - ◆ Number of employees involved with export - ordinal scale; and
 - ◆ The participants' perception of the adequacy of resources, (both financial and human), devoted to export markets - measured on a 5-point scale ranging from '1' = 'totally inadequate' to '5' = 'totally adequate'.
- Managers' international orientation also positively influences export. Proficiency in foreign languages is a measure of international orientation that increases awareness

of foreign culture and opportunities. As a consequence, managers who have some knowledge of foreign languages may be more export oriented than unilingual ones, and this background positively influences export performance (Enderwick and Akoorie 1994). In this research, proficiency in foreign languages was measured on a 5-point scale, '1' = 'not proficient at all' to '5' = 'as a native speaker'.

6.3.2.2.2 Objective Export Knowledge

Objective export knowledge is taught knowledge acquired through published material and courses. As part of this research, it was important, as suggested by Hibbert (1990), to investigate the amount of effort firms had put into the preparation of TMs in order to increase their chances of success. The type and intensity of preparatory activities the firms were involved in prior to the TMs has been measured using nine dimensions. Each dimension was ranked on a 5-point scale ranging from '1' = 'not involved at all' to '5' = 'extremely involved' and '9' = 'not applicable'. In this way, these nine items investigated the level of secondary research and planning undertaken, whether efforts have been made to arrange meetings before departure, cultural awareness, the level of adaptation of the marketing mix, as well as market language proficiency.

6.3.2.2.3 Market Specific Experiential Knowledge

As explained in Chapter 2, market specific experiential knowledge is direct, hands-on, real life experience with the market. The variables taken into consideration were used to investigate whether the firm had already been involved formally or informally, in business activities in the target market. This market involvement would imply that some relationship may have been established, thus facilitating future transactions. The following variables were used to investigate this dimension:

- Number of previous visits to the target market, and therefore the level of experiential knowledge already accumulated - discrete variable;
- Presence of previous turnover in the market - discrete variable.

6.3.2.3 Follow-up Activities

Follow-up activities are instrumental in enhancing market potential. Louter et al. (1991) stressed the importance of keeping good business relationships with foreign partners and customers. Thanks to technological advances, foreign partners would expect to receive a service similar to that provided to domestic partners (Levitt 1983). These follow-up activities have been measured with the following variables:

- Types of contacts conducted and planned with existing customers, agents, and suppliers in the target market from 6 to 24 months (periods 1 to 3) after the TMs took place;
- Number of follow-up visits conducted and planned to the target market in the same time periods (Crick and Katsikeas 1995).

6.3.2.4 Target Market Characteristics

The TMs targeted a wide range of geographic areas and countries with various levels of economic developments. These are generally closely associated to the type of business that can be conducted in the countries. The level of economic development has been measured in terms of GDP per capita and GDP growth.

An overview of the variables used and their fit in the research model is illustrated in Figure 6-3. The five periods used in this study are explained in Section 5.2 and illustrated in Figure 5-2. The impact of the selected independent variables on TM outcomes and export performance is analysed in Chapters 7 and 8. The following section explains the techniques used to administer the questionnaires.

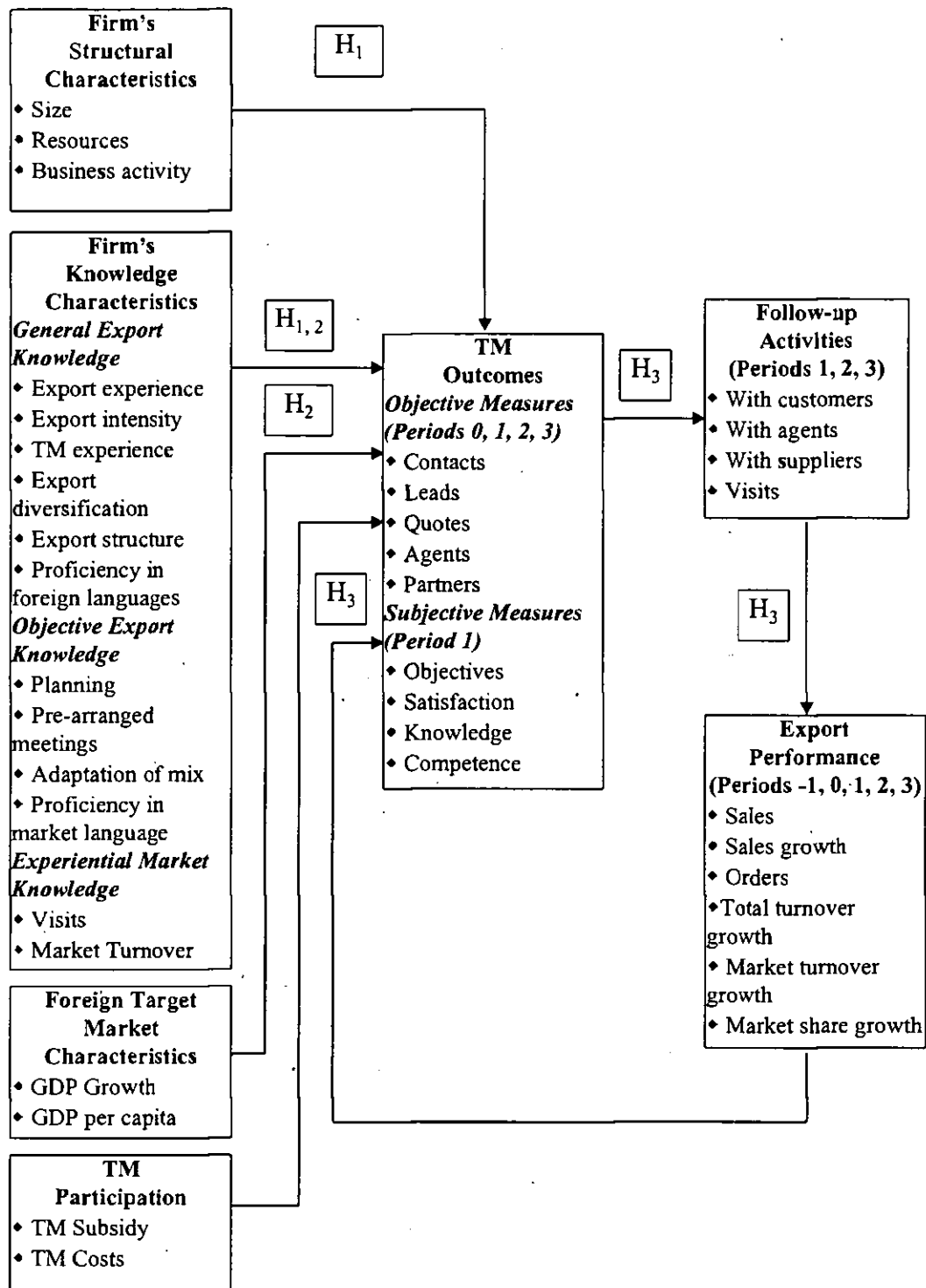


Figure 6 - 3: Model Of TM Outcome And Export Performance

6.4 QUESTIONNAIRE ADMINISTRATION AND PILOT PROJECT

This survey used two mailed questionnaires which were sent to respondents at a six-month interval (the first during the TM and the second six months after the TM). This approach was justified in Section 6.2.

6.4.1 Techniques to Increase Response Rate

A number of techniques can be used to increase response rates in industrial surveys. The techniques used for this study looked at three main areas: preliminary notification techniques, concurrent techniques, and follow-up techniques (Jobber 1986).

6.4.1.1 Preliminary Notification Techniques

Preliminary notification techniques are prior contacts with respondents to make them aware of the forthcoming survey. This method has been used in this research to make the questionnaire more personal, and to encourage participation. TM participants were introduced to the project during the pre-departure briefing that had taken place four to six weeks before the TMs. The objectives of the project were stated and the participants were briefed on the benefits of participating.

6.4.1.2 Concurrent Techniques

Concurrent techniques are methods that can be used with the mail questionnaire to increase response rate. A free copy of the survey report was offered to respondents that would participate in both phases of the study. It has been demonstrated that this type of offer had no effect on response rate because it led to a loss of anonymity (Jobber 1986). However, for the present survey, a large number of participants requested survey report. Respondents were asked to give their details so they could be contacted in the future. Although they were not granted anonymity and did not respond adversely to that, confidentiality was assured.

The cover letter was not personalised as this was not deemed necessary given the time and effort required and its insignificant impact on response rate (Jobber 1986); it was adjusted only for the respondents' gender. However, the address on the envelope was

personalised to ensure delivery to the right person. The letter used an egoistic type of appeal ("your opinions are important..."). Deadlines were first used (four weeks were given), but as the respondents travelled extensively, it was found that a number of questionnaires were discarded when the deadlines had expired. Therefore, deadlines were subsequently dropped.

6.4.1.3 Follow-up Techniques

Follow-up techniques included a phone call to respondents who had not returned the questionnaire four to eight weeks after the TMs. Whenever the questionnaire had been misplaced or lost, or had not been received, a new one was sent out. Analysis of the two waves of questionnaires revealed that the response rate increased by 15 per cent and 9 per cent respectively after the follow-up was completed (Table 6-8).

6.4.2 Pilot Project

The DTI budgeted 126 TMs for the UK in 1995/96. These TMs included 2,000 participating companies (DTI 1996). Among these 126 TMs, the LCCI organised 18. Six of them were included in the pilot project.

As suggested by Parasuraman (1991), the questionnaire was pre-tested with expert respondents and survey respondents. The pre-test included a review of question wording, sequence and scale by academics and TM managers. Personal interviews that lasted between thirty and sixty minutes with selected TM participants were also conducted. Finally, the questionnaire was administered to 105 TM participants in 1995.

Follow-up was conducted by telephone approximately one month after the return from the TMs. The follow-up was also used to know the reasons for non-response. These occurrences of non-response were justified. Some participants had to cancel their visit at the last minute, or the manager left the company, or even the firm had the policy of not responding to surveys. After adjustment was made for the above occurrences of non-response, response rates by TM varied between 20 per cent and 68 per cent, for an overall response rate of 45 per cent. After each TM, the answers were reviewed and improvements to the pilot questionnaire were made in terms of question wording and scales.

Administration of the pilot questionnaire was also improved. The questionnaires were first sent to the TM managers based at LCCI who then distributed them to the companies present at the pre-departure briefing. These meetings generally took place four to six weeks before the TMs. Not all participants attended the briefing meetings and those not attending did not receive the questionnaire until this was spotted with the follow-up phone call. It was also found that the questionnaires tended to get lost as too much time elapsed between the meeting and the TMs. It was then decided that the questionnaire should be sent to the participants on their return from the TMs.

6.5 VALIDATION ISSUES

6.5.1 Data Errors

A social acceptability bias may have been present in the answers because the investigation conducted is evaluative research (Section 4.1). As an example, respondents may have inflated the actual outcomes received as a safeguard against possible cuts or budget reductions in the programmes. Such bias was minimised in the survey design by asking respondents for actual and expected outcomes in the target markets immediately after the TMs and again six months later, once better judgement could be made about market potential. This technique allowed for possible inflated answers to be smoothed out for three reasons: (1) respondents may not have recalled what they reported in terms of sales and estimated sales in the first questionnaire; (2) figures for actual sales, six months after the event, were required in the second questionnaire; and (3) follow-up with market contacts in the six months following the TMs may have given a better appreciation of market potential.

Firms' mortality, or attrition of the number of respondents, may have also affected the sample as the survey progressed. Firms' mortality could be caused by various factors:

- the intended participant could not join the TM;
- the initial respondent moved to another division within the same firm;
- the initial respondent changed company;

- it is the firm's policy not to answer surveys, or
- the company did not exist anymore, either because it merged with another one or it ceased activity. It is unlikely that attrition due to bankruptcy would be very common as the respondents were well-established companies.

It was demonstrated that key informant reports could also be the source of measurement errors (Mathews and Diamantopoulos 1995, Phillips 1981). These errors could stem from informants' subjective judgement linked to their position, lack of factual knowledge, memory deficiencies, or confusion. This research targeted senior managers or managers with extensive involvement in export activities (Table 6-5). Since most of the questions dealt with their direct areas of responsibilities, measurement errors mainly due to inability to answer were minimised.

Table 6 - 5: Respondents' position

Respondents' Position	Number of Respondents	Percentage of Respondents
Chairman	5	4
Managing Director	30	27
Export Manager	37	33
Marketing Manager	7	6
Sales Manager/Director	19	17
Other	15	13
Total	113	100

6.5.2 Response Rate

Out of 190 questionnaires sent for the first data collection, 85 participants (45%) returned their questionnaires within six to eight weeks. As mentioned earlier, follow-up telephone calls were used to increase the response rate and analyse the reasons for non-responses. This follow-up technique resulted in an additional 28 questionnaires being returned, therefore increasing the response rate by 15 per cent. In total, 113 usable questionnaires were returned, a response rate of 60 per cent. The response rate was then adjusted for respondents who had valid reasons for not answering, as explained above.

After these reasons were taken into consideration to eliminate some ineligible respondents, the final response rate was 67 per cent. Table 6-6 summarises the reasons for non-responses from the first questionnaire.

Table 6 - 6: Reasons for non-responses: First questionnaire

Reasons for non-response	Number of Respondents	Percentage of Respondents
TM not attended	7	4
Is no longer employed by the firm or division	4	2
Against company policy	3	1
(1) Total respondents with valid reasons for not responding	14	7
(2) Questionnaires not returned with no reasons	63	33
(3) Total returned questionnaires	113	60
(4) Total questionnaires sent	190	100
(1+3) Effective response rate		67

A response rate of 67 per cent compares favourably with response rates on similar studies. A similar technique for administering the survey instrument was used in Holland, i.e. mailed questionnaire to Dutch exporters followed by a telephone reminder. This resulted in a 54 per cent response rate (Louter et al. 1991). Seringhaus (1996) reported a response rate of 44 per cent on a random sample of exporting Canadian manufacturing firms. Seringhaus and Rosson (1990d) applied stratified random sampling to recent Canadian participants to trade fairs and TMs and obtained a 90 per cent response rate following pre-screening to identify the appropriate respondents, three mailings and a telephone reminder.

The second questionnaire for this research was mailed six months after the return from the TMs. The follow-up questionnaire covered a single country for the sake of clarity. As a consequence, firms that had visited the two countries targeted by some of the TMs received two questionnaires. A total of 143 questionnaires were mailed. Six to eight weeks after the mailing, the response rate was 39 per cent. Follow-up by telephone was then conducted. The main justification for not answering was that respondents had left the company or no further action in the market had been decided upon. Some questionnaires were returned but not filled out completely. After follow-up and adjustment for ineligible respondents, the final response rate on the second questionnaire

was 59 per cent. Table 6-7 gives the breakdown for non-responses on the follow-up questionnaire.

Table 6 - 7: Reasons for non-responses: Follow-up questionnaire

Reasons for non-response	Number of Respondents	Percentage of Respondents
Is no longer employed by the firm or division	7	5
No further action taken	5	4
Questionnaires not usable	2	1
Did not go on TM	1	1
(1) Total respondents with valid reasons for not answering	15	11
(2) Questionnaires not returned with no reasons	59	41
(3) Total returned questionnaires	69	48
(4) Total questionnaires sent	143	100
(1+3) Effective response rate		59

A total count of first wave and second wave questionnaires and the resulting response rates are given in Table 6-8.

Table 6 - 8: Response rate summary

	Quest Sent	1st Wave	Response Rate	2nd Wave	Quest Received	Response Rate	Ineligible Respondents	Response Rate
1st Quest	190	85	45%	28	113	60%	14	67%
2nd Quest	143	55	39%	14	69	48%	15	59%

6.5.3 TMs' Characteristics

The 12 TMs investigated covered psychologically distant countries in five major regions - Central/South America, West Africa, South East Asia, Eastern Europe, and the Mediterranean region. A distribution of participants and respondents to the TMs organised by the LCCI in 1996 is presented in Table 6-9. In some geographic areas such as West Africa especially, the percentage of respondents was smaller to the percentage of firms surveyed. As a consequence, these discrepancies may introduce some bias in the sample.

Table 6 - 9: TM destinations and distribution of participants and respondents

TM Destinations	Number of Participants	Percentage of Total	Number of Respondents	Percentage of Total
Eastern Europe				
Bulgaria	14	7%	8	7%
Ukraine	12	6%	7	6%
	26	13%	15	13%
Mediterranean				
Cyprus	19	10%	13	12%
Turkey	19	10%	11	10%
	38	20%	24	22%
South America				
Argentina and Chile	23	12%	16	15%
Mexico, Guatemala, and El Salvador	11	6%	6	5%
Venezuela and Colombia	14	7%	11	9%
	48	25%	33	29%
South East Asia				
Indonesia and Thailand	13	7%	7	6%
Japan	22	12%	12	11%
The Philippines	11	6%	9	8%
	46	25%	28	25%
West Africa				
Ghana and Ivory Coast	18	10%	9	8%
Nigeria and Ghana	14	7%	4	4%
	32	17%	13	12%
Total	190	100	113	100

6.5.4 Non-Response Error

Little is known about the 63 participants who did not return the first questionnaire or the 59 who did not return the second one. It is to be noted that the managers participating in TMs usually spend a large share of their time travelling abroad. They then have to deal with urgent matters when they come back to the office. This type of survey being a low priority item from their viewpoint, the questionnaires may have been lost or discarded.

One way of assessing the occurrence of non-response error is to determine whether significant differences exist between early respondents and late respondents (Malhotra 1996). This method is called trend analysis. This was performed on respondents to the first questionnaire as the sample was larger than the second one. Independent-samples t-tests were used on a number of variables representing structural and knowledge characteristics, as well as response variables. There were no significant differences in the mean structural characteristics neither of the early or late respondents, nor in their mean

knowledge characteristics or performance in the market (Table 6-10). Trend analysis projects the results from the early and late respondents to the non-respondents. This analysis shows that the non-respondents would not be significantly different from the early or the late respondents. Consequently, non-response error is minimal in this survey.

Table 6 - 10: Trend analysis of non-response: Difference between early and late respondents

Variables	Mean		Difference in Means	Significance
	Early Respondents	Late Respondents		
<i>Structural Characteristics</i>				
Number of employees	2.2	2.3	0.1	ns
Turnover	3.2	3.1	0.1	ns
Manufacturer	0.6	0.4	0.1	ns
<i>Knowledge Characteristics</i>				
Export experience	2.9	2.6	0.3	ns
Export intensity	4.6	4.5	0.1	ns
Export diversification-countries	26.1	20.3	5.8	ns
Export diversification-regions	5.0	4.0	1.0	ns
Pre-arranged meetings	3.8	4.2	0.4	ns
Adaptation of mix	1.8	1.8	0.0	ns
Planning	2.9	3.1	0.2	ns
Market contacts	1.2	1.3	0.1	ns
Market turnover	0.4	0.4	0.0	ns
Visits	1.6	2.3	0.7	ns
<i>Performance Measures</i>				
Contacts	1.3	1.3	0.0	ns
Leads	1.1	1.0	0.1	ns
Agents	0.2	0.4	0.2	ns
Orders	0.4	0.5	0.1	ns
Quotes	1.1	1.3	0.2	ns
Sales	0.1	0.2	0.1	ns

ns: non significant at the 10% level

N=113

Non-response error for the second questionnaire was calculated with data from the respondents to the first questionnaire. The results are summarised in Table 6-11.

Table 6 - 11: Difference between respondents and non-respondents to the second questionnaire

Variables	Mean		Difference in Means	Significance
	Respondents Second Questionnaire	Non- Respondents Second Questionnaire		
<i>Structural Characteristics</i>				
Number of employees	3.2	3.9	-0.7	ns
Turnover	5.8	7.2	1.4	ns
Manufacturer	0.53	0.46	0.7	ns
<i>Knowledge Characteristics</i>				
Export experience	5.3	4.9	0.4	ns
Export intensity	4.3	4.9	0.6	p<5%
Export diversification-countries	25.0	24.7	0.3	ns
Export diversification-regions	4.9	4.3	-0.6	ns
Pre-arranged meetings	3.5	3.5	0.0	ns
Adaptation of mix	1.7	1.4	0.3	ns
Planning	3.0	3.0	0.0	ns
Market contacts	1.2	1.3	0.1	ns
Market turnover	75.0	79.3	4.3	ns
Visits	0.4	0.5	0.1	ns
<i>Performance Measures</i>				
Contacts	6.6	6.1	0.5	ns
Leads	4.3	3.3	1.0	ns
Agents	0.8	0.2	0.6	p<5%
Orders	0.6	0.7	0.1	ns
Quotes	3.5	4.2	0.7	ns
Sales	1.7	1.6	0.1	ns

ns: non significant at the 10% level

N=113

These results show that the firms that returned the second questionnaire were not significantly different from those that did not answer, except for their propensity to export and the number of agents appointed during the TM. The respondents to the second questionnaire seemed to have been the more active firms in the markets, those that had something to report. This may have introduced a bias in the sample, as explained in Section 9.6.

6.6 CONCLUSION

This chapter explained the research methodology used to demonstrate causality between overseas trade mission participation and changes in trade patterns in targeted markets. The methodology suggested for this investigation took into consideration the major limitations of past research and improved upon them, where this would not place undue strain upon the present study. It was determined that an hypothetico-deductive approach combined with a longitudinal design would better fulfil the objectives of this study.

Sample selection, choice of variables, and development of the data collection instruments were explained in detail. A discussion on the pilot project was provided together with the influence of this pilot stage on the development and administration of the survey questionnaires. Finally, an analysis of response rates and non-response error was provided for the two questionnaires. In the next chapter, demographic findings will be presented.

7. DEMOGRAPHIC FINDINGS

7.0 INTRODUCTION

This chapter provides a more detailed analysis of the role of trade missions in the acquisition of experiential knowledge and as a facilitator of export market entry. The objectives of the analyses conducted in this chapter are to provide an overview of the sample studied and to assess the influence of TM participation and experiential knowledge on firms' differences in behaviour, TM outcomes and export performance between the exporters who had previously visited the markets targeted by the TMs and those who had not (EXPs and NTMs).

Section 7.1 presents the sample studied and its characteristics and gives a descriptive evaluation of TM outcomes and export performance for all the participating firms. Section 7.2 investigates in detail the differences between NTMs and EXPs in terms of firms' structural and knowledge characteristics, firms' objectives, behaviour, and performance before, during and after the TMs. The participants' satisfaction with the organisation of the TMs is also evaluated.

7.1 CHARACTERISTICS OF THE SAMPLE STUDIED

7.1.1 Respondents' Structural Characteristics

The 12 TMs surveyed attracted, in the majority, small, well-established firms. Out of the 190 firms which were surveyed, 113 returned the questionnaires. Approximately two

third of the respondents had been in business for more than 15 years, had less than 100 employees, and reported an average annual turnover of less than £10 million (Tables 7-1, 7-2, and 7-3). However, the TMs studied also attracted some large firms: for example, 15 per cent of respondents had over 500 employees and 10 per cent had more than £50 million in total annual turnover. These figures are well within the DT1 policy for the scheme allowing up to 40 per cent of participants to be large companies (i.e. over 500 employees and £50 million in turnover).

The majority of firms attending TMs were manufacturing companies (51%), followed by service firms (29%), and wholesalers (18%). Only two retailers participated. For the purpose of the analysis, the firms were categorised as manufacturers and services companies. Wholesalers and retailers were included in the service sector. A more detailed analysis in terms of industry sectors would have been difficult to justify since the TMs organised by the LCCI are usually horizontal and a wide range of industry sectors are generally represented.

Table 7 - 1: Number of years the respondents have been established

Age of Responding Firms	Number of Respondents	Percentage of Respondents
Less than 1 year	2	2
1 to 4 years	10	9
5 to 9 years	20	18
10 to 14 years	12	10
15 to 20 years	14	12
Over 20 years	55	49
Total	113	100

Table 7 - 2: Number of employees among the responding firms

Number of Employees	Number of Respondents	Percentage of Respondents
0-49	59	52
50-99	16	14
100-299	14	13
300-499	7	6
500-1000	9	8
Over 1000	8	7
Total	113	100

The sample includes 17 firms that are larger than the firms originally defined (less than 500 employees). These firms were included in the analysis as some of them were autonomous divisions of multinational corporations. Among the respondents, two firms participated in two different trade missions. These two specific respondents' characteristics may have introduced a bias in the sample, which will be addressed in the section on limitations (Section 9.6).

Table 7 - 3: Total annual turnover among the responding firms

Total Annual Turnover	Number of Respondents	Percentage of Respondents
Less than £1m	31	27
£1m to less than £2.5m	15	13
£2.5m to less than £5m	15	13
£5m to less than £10m	17	15
£10m to less than £50m	23	21
Over £50m	12	11
Total	113	100

7.1.2 Respondents' Export Experience

The TMs organised by the LCCI as part of this study attracted firms with extensive export experience: over 60 per cent of respondents had been exporting for more than 20 years. Only six firms were not exporting at the time they participated in the TMs. The majority of firms were structured for conducting export activities: 70 per cent of the respondents had up to 10 employees involved with export and 57 per cent reported having an export department.

Besides having accumulated valuable export experience prior to this study, most of the sample of firms investigated used export as part of their expansion strategy. Fifty nine per cent of the respondents exported more than 50 per cent of their turnover. The respondents were therefore generally committed exporters that relied heavily on export sales (Table 7-4). Furthermore, approximately 50 per cent of respondents considered that adequate financial and human resources were devoted to export in order to back up this expansion strategy.

Table 7 - 4: Export intensity of responding firms

Export Intensity	Number of Respondents	Percentage of respondents
Less than 5%	6	6
5% to less than 10%	6	6
10% to less than 25%	9	8
25% to less than 50%	23	21
50% to less than 75%	25	23
75% to less than 100%	39	36
	108*	100

* 5 respondents did not answer this question

Besides being committed to export, the firms used a diversified, as opposed to a concentrated, export strategy. Two third of the 113 respondents reported exporting to more than ten countries. Export diversification was also measured in terms of the number of regions exported to. The world was divided into nine regions adapted from the areas covered by the British Overseas Trade Board Advisory Groups (DTI 1994). These nine regions are: Western Europe, Eastern Europe, Middle East and North Africa, Rest of Africa, Central and Latin America, Australasia, Pacific Rim and Japan, and Other Asian Counties. Approximately half the respondents spread their exports over five or more of the nine regions. Among those, 16 per cent had global exporting activities.

Twenty per cent of respondents were participating in a TM for the first time. Another 25 per cent of respondents had already participated in three or more TMs. This may imply that TMs were used as an international promotional tool and were part of the expansion strategy of these respondents. The remaining 55 per cent of respondents had participated in one or two TMs before the present one.

Another characteristic of the sample was their experience with the markets covered by the TMs investigated. Fifty five per cent of the respondents had never been to the targeted markets, while the remaining 45 per cent had already visited these countries, either individually or with a TM.

In summary, the sample investigated represented a majority of well-established exporting SMEs using TMs to pursue their diversified export strategy.

7.1.3 Respondents' TM Outcomes and Export Performance

One way of looking at the respondents' success during and after the TMs is to look at the number of firms that achieved the expected outcomes. An overview of the level of success achieved by all the respondents during the TMs and in the following 24 months is provided in Table 7-7. This table gives the percentage of firms that obtained incremental outcomes in the four periods under investigation (during the TMs, and 6, 12 and 24 months later).

Approximately 80 percent of respondents obtained contacts and leads⁴ during the TMs, and two thirds came back with requests for quotes. Therefore, the TMs fulfilled the objective of helping participating firms to establish a network of contacts in the foreign markets. Twenty per cent of the 113 respondents appointed agents. This relatively low number could be explained by the fact that some firms were already established in the market and were paying a courtesy visit to their foreign partners. Also, one agent may be sufficient to cover the whole market being targeted if the country is small or the company deals with only a few large accounts.

Export performance measured in terms of sales was not the primary objective for participating in the TMs, as seen in Section 5.1.5. However, one third of respondents obtained sales while being in the country. These may be due to previous contacts they had established, or previous visits. Firms were consistent in their estimation of success in obtaining sales. Similar values (in terms of percentage of firms obtaining sales in the two years following the TMs) were found on the first and the second questionnaire (Table 7-5).

⁴ As defined in Chapter 5 and in the questionnaire, 'contacts' are individuals who may facilitate the firm's dealing with the market and 'leads' are individuals that have a high probability of buying from the company in the 12 months following the TMs.

Table 7 - 5: Percentage of firms obtaining incremental export outcomes during the periods investigated

Time Frame	TM Outcomes				Export Performance	
	Contacts (%)	Leads (%)	Quotes (%)	Agents (%)	Sales (%)	
Period 0	80	78	65	21		37
Period 1	52	50	42	19		50
Period 2 (e)	29	31	33	8	65 ₍₁₎	60 ₍₂₎
Period 3 (e)	19	17	19	4	58 ₍₁₎	56 ₍₂₎

(1) Estimated values from the first questionnaire

(2) Estimated values from the second questionnaire

From the figures above, it could be implied that the participating firms were actively involved in securing business relationships while they were in the country: for example, 80 per cent established contacts and 78 per cent obtained leads. These efforts resulted in an increase of 35 per cent in the percentage of firms obtaining sales from the targeted markets in the following two years.

It can be noticed that the measures of TM outcomes decreased steadily within the 24 months after the TMs, while the measures of export performance followed a reverse pattern. Therefore, it may be inferred that: (1) the selected measures for TM outcomes were relevant; and (2) the TMs were effective as the activities conducted before, during and after the TMs provided tangible results for the participating firms.

7.2 DIFFERENCES BETWEEN NEW-TO-THE-MARKET EXPORTERS AND MORE EXPERIENCED EXPORTERS

7.2.1 Rationale for the Analysis

Chapter 2 outlined that export performance is a gradual process and can only be achieved once strong relationships have been built between business partners (Wilson and Mummalaneni 1990). The remaining of this chapter investigates the differences that may exist between new-to-the-market exporters (NTMs) and more experienced exporters (EXPs) during the whole process of TM preparation, participation and evaluation as these differences may have an influence on subsequent analysis.

Two groups of firms were identified from the overall sample used in this study: those with previous experiential knowledge about the target market, and those without such knowledge. It is the DTI policy that TMs are primarily composed of firms that are new

to a country (60 per cent or more). In the sample studied, 55 per cent of the firms participating in the investigated TMs were visiting the markets for the first time.

The difference in experiential knowledge acquired prior to the TMs among NTMs and EXPs is shown in Table 7-6. As mentioned, NTMs had never visited the markets targeted by the TMs before. A few of them have had ad-hoc transactions from these markets as shown by the small turnover generated. EXPs had visited these countries almost three times more than NTMs on average and were generating regular income from them.

Table 7 - 6: Differences in experiential knowledge prior to the TMs between NTMs and EXPs

Variables	NTMs Mean	EXPs Mean	Differences in Means
<i>Experiential Knowledge Characteristics</i>			
Market turnover (000)	£22	£137	£115*
Previous visits	0	2.8	
N	56	46	

* p<5%

At this stage, it is necessary to determine whether the two groups of firms under investigation present any differences in their structural characteristics. The analytical method used to identify the possible differences was the calculation of the *t-statistic* for independent samples on selected variables. A parametric test was applied to data measured with interval scales "since the results of most standard statistical techniques are not affected greatly by small deviations from the interval requirement." (Tull and Hawkins 1993). A summary of the results is presented in Table 7-7.

Table 7 - 7: Summary of test results for NTMs and EXPs' structural characteristics

Variables	NTMs Mean	EXPs Mean	Differences in Means (NTMs-EXPs)	Significance
<i>Structural Characteristics</i>				
Number of employees	64	54	10	ns
Turnover	£3M	£3M	0.0	ns
Language proficiency	1.3	1.4	0.1	ns
Service firms	43%	50%	7%	ns

ns: non significant at the 10% level

The NTMs and EXPs did not differ in terms of their structural characteristics. Both groups of firms consisted of small firms (i.e. less than 100 employees and an average

turnover of £3 million). The average level of foreign language proficiency was quite low in both groups of firms. The proportion of service firms was also similar in each group.

7.2.2 Participating Firms' Knowledge Characteristics

As observed in the previous section, the groups of NTMs and EXPs surveyed in this research did not differ in their structural characteristics. The present section carries the analysis further and investigates whether the two groups show different patterns of general and objective export knowledge.

7.2.2.1 Firms' General Export Knowledge Characteristics

Results from the t-tests performed on selected variables show that general export knowledge characteristics of participating firms from both groups did not differ significantly (Table 7-8). Both groups showed similar characteristics in terms of years of experience in export, export intensity and diversification, and TM experience. They also had similar export structures in terms of number of export employees and use of an export department.

Table 7 - 8: Differences in participating firms' general export knowledge characteristics

Variables Measuring General Export Knowledge Characteristics	NTMs Mean	EXPs Mean	Difference in Means (NTMs-EXPs)	Significance
Number of years in export	2.7	3.1	0.4	ns
Number of employees in export	5.2	5.1	-0.1	ns
Export diversification - countries	24.7	28.6	-3.9	ns
Export diversification - regions	4.8	4.3	0.5	ns
TM experience	2.0	2.0	0.0	ns
Export department	44%	39%	5%	ns
Export intensity	42%	43%	-1%	ns

ns: non significant at the 10% level

7.2.2.2 Firms' Objective Knowledge Characteristics

No significant differences were found between NTMs and EXPs when t-tests were used on the variables measuring preparatory activities before the TMs (i.e. the acquisition of objective knowledge about the target market) (Table 7-9). Both groups of exporters put similar amounts of effort into their pre-mission activities. Both groups carried out desk research to gain some knowledge about their specific industry sector and the business environment in the target market.

Only about one third of respondents used any of the other DTI services aimed at helping with export ventures. Among the respondents that used these services, 14 out of 32 NTMs used them (44%) as opposed to 5 out of 20 EXPs (25%).

The efforts put into the strategic planning of their market entry were moderate, as expressed by the ratings of 2.9 and 3.0 of the variable *marketing plan*. This may be because it was still too soon for either group to define a strategy given the limited information they had about the market.

The participants mainly concentrated on arranging meetings with potential business partners. Neither group considered it necessary to put much effort into the adaptation of the marketing mix or the acquisition of market language skills before going on the TMs. This might suggest that, whatever the exporters' previous experience with the market, both groups favour the acquisition of objective knowledge which does not require significant commitment in time and resources and which would result in a direct gain in efficiency during the TM. Activities such as the adaptation of the marketing mix, which would require a longer time span to implement and more commitment, does not seem to have been deemed worth the effort at this stage.

Table 7 - 9: Differences in participating firms' objective knowledge characteristics

Variables Measuring Objective Knowledge Characteristics	NTMs Mean	EXPs Mean	Difference in Means (NTMs-EXPs)	Significance
Desk research	3.8	3.3	0.5	ns
Gaining cultural awareness	3.3	3.2	0.1	ns
Marketing plan	2.9	3.0	-0.1	ns
Pre-arranged meetings with clients	3.9	4.3	-0.4	ns
Pre-arranged meetings with agents	4.0	4.2	-0.2	ns
Product adaptation	2.3	2.9	-0.6	ns
Promotion adaptation	2.3	2.4	-0.1	ns
Price adaptation	2.7	2.9	-0.2	ns
Market language proficiency	1.5	1.7	-0.2	ns

ns: non significant at the 10% level

These findings as well as the findings in Section 7.2.1 indicate that the two groups of NTMs and EXPs are homogenous in their structure and in terms of previous export knowledge acquired, both general and objective. The investigation now focuses on whether the experiential knowledge acquired in the market prior to the TMs influenced the objectives, behaviour and performance of the two groups of firms differently.

7.2.3 Participating Firms' Objectives

Axelsson et al. (1992) demonstrated that, during the first year of a business relationship, travelling to target markets is used primarily to develop a network of contacts and to acquire information. After the first year or so, negotiation and problem solving are more likely to be the purpose of the journeys. Based on these premises, it is important to assess whether experiential knowledge about the target market would lead to a difference in participating firms' objectives.

Firms were asked to assess their objectives for participating in TMs in two different ways. Respondents were first asked to rate the importance of a list of 14 objectives (Section 6.3.1.2.2) on a scale from '1' to '5', with '1' = 'not important at all' and '5' = 'extremely important'. The results of this analysis are shown in Table 7-10.

The first rating exercise showed that NTMs were concerned with establishing a network of business contacts. *Establishing contacts, obtaining leads, visiting potential customers and appointing agents* were rated first, second, joint third, and fifth, respectively. Some of the NTMs' goals were also to gain an understanding of the way business is conducted in the targeted markets. *Conducting market research, and studying the competition* were rated fourth and joint fifth respectively. NTMs also ranked fifth *increasing speed of market entry*. They perceived TMs to be a valuable tool to increase their efficiency when entering a new foreign market.

EXPs' primary objective was to expand their networks. *Visiting potential customers, obtaining leads, and establishing contacts* were rated first, and joint second, respectively. EXPs participated in TMs to strengthen the business relationships previously established in the target markets. *Visiting existing customers* was rated second, and *supporting agents* fourth. EXPs also aimed at furthering their understanding of the market. *Conducting market research, and studying the competition* were rated fifth and sixth.

The objective *obtaining sales* was rated as the third most important one by both groups. However, the t-test showed a significant difference in the way both groups answered *obtaining sales*. The rating for this variable was lower for the NTMs than for the EXPs.

Nevertheless, *obtaining sales* remained a medium to long term goal to be achieved by both groups.

Other objectives that showed a significant difference and are worth mentioning were *appointing agents* and *supporting agents*. It seems that NTMs participated in the TMs to establish a presence in the market through the appointment of local representatives, while EXPs strengthened their presence by supporting their agents. *Visiting potential customers* and *visiting existing customers* were also rated differently by both groups, which supports the previous comments.

It also appears that finding or supporting suppliers was not the purpose for participating in the TMs for either group. This was shown by the low rating of the activities related to suppliers.

These findings indicate that both NTMs and EXPs participate in TMs to set the foundations from which to start and expand business relationships. EXPs also build upon the experiential knowledge already acquired to strengthen their market presence. This shows that EXPs are further along on Wilson and Mummalaneni's (1990) relationship-building continuum. The use of TMs helps them in the process.

Table 7 - 10: Differences in objectives for participating in the TMs between new-to-the-market and more experienced exporters

Objectives	NTMs	Rank	EXPs	Rank	Difference in Means (NTMs-EXPs)	Significance
Establishing contacts	4.6	1	4.4	2	0.2	ns
Obtaining leads	4.1	2	4.4	2	-0.3	ns
Visiting potential customers	4.0	3	4.8	1	-0.8	p < 0.001
Obtaining sales	3.7	3	4.3	3	-0.6	p < 0.1
Conducting market research	3.6	4	3.1	5	0.5	ns
Studying the competition	3.1	5	2.8	6	0.3	ns
Increasing speed of market entry	3.1	5	2.3	7	0.8	ns
Appointing agents	3.1	5	2.2	8	0.9	p < 0.05
Obtaining requests for quotes	2.8	6	3.0	7	0.2	ns
Visiting existing customers	2.4	7	4.4	2	-2.0	p < 0.001
Supporting agents	2.3	8	3.2	4	-0.9	p < 0.05
Increasing visibility	2.0	9	2.2	8	-0.2	ns
Appointing suppliers	1.7	10	1.5	10	0.2	ns
Supporting suppliers	1.3	11	1.6	9	-0.3	ns

ns: non significant at the 10% level

In the next question, respondents were asked to rank their three most important objectives from the list provided after they had rated them (Table 7-11). Table 7-11

reports the two more frequent choices for each objective with the corresponding percentage of respondents. Nearly a quarter of NTMs ranked *appointing agents* as their top objective, compared with only three per cent for EXPs. This was closely followed by *establishing productive contacts*. The primary objective for the EXPs was to *establish productive contacts* and to *visit existing customers*. Both groups had similar second and third objectives: *generating serious sales leads* and *visiting potential customers*.

These results clearly identify the strategies used by both groups of firms. NTMs participated in the trade missions with a planned market entry strategy: they intended to break into the markets with the help of agents. NTMs' main objective was therefore to appoint agents while they were in the country and start the process of establishing a network. Their second and third most important objectives did not differ from the previous question - establishing contacts that would lead to tangible outcomes (requests for quotes and sales). EXPs participated in the TMs in order to expand and strengthen their already existing network of contacts.

Table 7 - 11: Comparison of the three most important objectives for participating in the TMs between NTMs and EXPs

NTMs				EXPs			
Obj.	Objectives	NTMs %	EXPs %	Obj.	Objectives	NTMs %	EXPs %
Obj. 1	1. Appointing agents	23	3	Obj. 1	1. Establishing productive contacts	21	18
	2. Establishing productive contacts	21	18		2. Visiting existing customers	2	18
Obj. 2	1. Generating serious sales leads	26	26	Obj. 2	1. Generating serious sales leads	26	26
	2. Visiting potential customers	17	21		2. Visiting potential customers	21	17
Obj. 3	1. Visiting potential customers	22	35	Obj. 3	1. Visiting potential customers	35	22
	2. Obtaining requests for quotes	15	11		2. Generating serious sales leads	14	11

Both NTMs and EXPs were highly successful in fulfilling their three most important objectives. Both groups rated their success '4' on a 5-point scale from '5'= very successful to '1'= not successful at all.

This section demonstrates that there are some differences between NTMs and EXPs in terms of their objectives for participating in TMs. The next step is to determine whether

such differences result in behavioural differences between the two groups after the TMs have taken place.

7.2.4 Participating Firms' Behaviour After the TMs

The follow-up activities differed slightly among the two groups. Overall, EXPs were more active in keeping in touch with their customers over the three periods⁵ than NTMs (Table 7-12). EXPs having had a longer relationship than NTMs with the market, they started to generate some tangible results from it.

The most significant differences between the two groups were found in periods 2 and 3 whereby NTMs regularly contacted their agents by telephone. This may be linked to the fact that NTMs appointed new agents during the TMs and regular support was needed afterwards. Table 7-12 presents a summary of these results. The mean values represent the frequency of occurrences of each action in the period.

Table 7 - 12: Differences in participating firms' follow-up activities

Follow-up Activities	Mean		Difference in Means (NTMs-EXPs)	Significance
	NTMs	EXPs		
Telephone customers - Period 1	0.3	0.5	-0.2	ns
Telephone customers - Period 2	0.3	0.5	-0.2	ns
Telephone customers - Period 3	0.3	0.5	-0.2	ns
Mail to customers - Period 1	0.5	0.6	-0.1	ns
Mail to customers - Period 2	0.4	0.4	0.0	ns
Mail to customers - Period 3	0.4	0.5	-0.1	ns
Samples to customers - Period 1	0.3	0.2	0.1	ns
Samples to customers - Period 2	0.3	0.6	-0.3	ns
Samples to customers - Period 3	0.1	0.3	-0.2	ns
Telephone agents - Period 1	0.5	0.6	-0.1	ns
Telephone agents - Period 2	0.7	0.3	0.4	p < 0.05
Telephone agents - Period 3	0.6	0.2	0.4	p < 0.05
Mail to agents - Period 1	0.5	0.7	-0.2	ns
Mail to agents - Period 2	0.5	0.4	0.1	ns
Mail to agents - Period 3	0.4	0.4	0.0	ns
Samples to agents - Period 1	0.3	0.4	-0.1	ns
Samples to agents - Period 2	0.3	0.3	0.0	ns
Samples to agents - Period 3	0.3	0.2	0.1	ns

ns: non significant at the 10% level

⁵ The study is divided into four periods: period 0: during the TMs, period 1: 6 months after the TMs, period 2: 12 months after the TMs, period 3: 24 months after the TMs.

Overall, the differences in the follow-up activities reflect the way both groups try to adjust their strategies to their specific positions in the markets. This position is assessed quantitatively on the basis of performance as explained in the following section.

7.2.5 Participating Firms' Performance

7.2.5.1 Quantitative Performance

The results of the analysis of participating firms' quantitative performance are presented in Tables 7-13 and 7-14. Table 7-13 give the mean values for the outcomes; Table 7-14 shows the percentage of firms obtaining these outcomes.

NTMs and EXPs performed similarly in terms of number of leads obtained in the four periods under investigation. Their performance differed significantly in the percentage of NTMs obtaining contacts in the 12 months following the TMs (36% of NTMs compared to 15% of EXPs). A larger percentage of NTMs than EXPs obtained requests for quotes in periods 2 and 3 (44% and 28% for NTMs and 15% and 5% for EXPs respectively). As a consequence, the NTMs obtained significantly more requests for quotes on average than EXPs in both periods 2 and 3 (3.6 and 1.4, and 2.9 and 0.8 for periods 2 and 3 respectively). This could be linked to the activities of the newly appointed agents who started becoming productive 12 months after the TMs.

The two groups also differed significantly in the number of agents appointed 6 to 12 months after the TMs and in the number of firms appointing these agents during the TMs and up to 12 months after. Consistent with their objectives, 31 per cent of NTMs appointed agents during the TMs as opposed to 13 per cent of EXPs. These figures were 28 per cent and 5 per cent for NTMs and EXPs respectively in period 1, and 13 per cent and 0 per cent respectively in period 2. This show the effect of lag time on TM outcomes. Once the first contact with agents has been established during the TMs, it can take up to 12 months to appoint the relevant person to represent the firm in the market.

The number of NTMs generating sales during the TMs is less than half of that of EXPs. In period 2, 41 per cent of NTMs obtained sales as opposed to 65 per cent for EXPs. The percentage of firms obtaining sales among NTMs increased steadily over the four periods to slightly overcome the performance of EXPs in period 3 (56% NTMs against

55% EXPs). This could be explained by the competence acquired during the TMs, as explained later. The percentage of EXPs obtaining sales decreased from 75 per cent in period 2 to 55 per cent in period 3. Since most of these EXPs would deal through agents or distributors in the markets, the decrease in sales could be due to a deterioration of the relationship between the two parties. Another study showed a similar pattern. Ford and Rosson's findings (1990) revealed that two thirds of the 2 to 5 year relationships among Canadian exporters and UK customers were in jeopardy. Over a seven year period, almost half of these relationships were terminated. The results from Ford and Rosson (1990) demonstrated that relationships between manufacturers and foreign partners evolve and cannot be taken for granted. They need constant efforts to be maintained or grow toward more rewarding ones.

Among those firms that obtained sales during the TMs and in the year following them (periods 0, 1, and 2), NTMs only generated a quarter or less of the average sales generated by EXPs. By period 3, NTMs achieved about half the sales obtained by EXPs (Tables 7-13 and 7-14).

Table 7 - 13: Differences in mean TM outcomes and export performance between NTMs and EXPs

Performance Variables	NTMs Mean	EXPs Mean	Difference in Means (NTMs-EXPs)	Significance
<i>TM Performance</i>				
Contacts - Period 0	6.9	6.4	0.5	ns
Contacts - Period 1	4.3	4.3	0	ns
Contacts - Period 2 (e)	2.6	1.8	0.8	ns
Contacts - Period 3 (e)	1.8	3.0	1.2	
Leads - Period 0	4.2	3.8	0.4	ns
Leads - Period 1	3.3	5.5	2.2	ns
Leads - Period 2 (e)	1.7	1.9	0.2	ns
Leads - Period 3 (e)	1.7	1.5	0.2	ns
Quotes - Period 0	4.9	3.3	1.6	ns
Quotes - Period 1	3.4	3.2	0.2	ns
Quotes - Period 2 (e)	3.6	1.4	2.2	p < 0.1
Quotes - Period 3 (e)	2.9	0.8	2.1	ns
Agents - Period 0	0.6	0.3	0.3	ns
Agents - Period 1	0.5	0.1	0.4	p < 0.1
Agents - Period 2 (e)	0.4	0.0	0.4	p < 0.1
Agents - Period 3 (e)	0.3	0.0	0.3	ns
<i>Export Performance (£000)</i>				
Sales - Period 0	12	42	30	p < 0.05
Sales - Period 1	7	30	23	p < 0.05
Sales - Period 2 (e)	14	82	68	p < 0.05
Sales - Period 3 (e)	42	92	50	ns

(e) estimate

ns: non significant at the 10% level

Table 7 - 14: Differences in percentage of firms obtaining TM outcomes and export performance between NTMs and EXPs

Performance Variables	NTMs % Firms	EXPs % Firms	Difference in % (NTMs-EXPs)	Significance
<i>TM Performance</i>				
Contacts - Period 0	89	78	11	ns
Contacts - Period 1	50	55	-5	ns
Contacts - Period 2 (e)	36	15	1	p < 0.1
Contacts - Period 3 (e)	25	10	15	ns
Leads - Period 0	79	83	-4	ns
Leads - Period 1	47	55	-8	ns
Leads - Period 2 (e)	34	25	9	ns
Leads - Period 3 (e)	22	10	12	ns
Quotes - Period 0	66	69	-3	ns
Quotes - Period 1	41	45	-5	ns
Quotes - Period 2 (e)	44	15	29	p < 0.05
Quotes - Period 3 (e)	28	5	23	p < 0.05
Agents - Period 0	31	13	18	p < 0.05
Agents - Period 1	28	5	23	p < 0.05
Agents - Period 2 (e)	13	0	13	p < 0.1
Agents - Period 3 (e)	6	0	6	ns
<i>Export Performance (£000)</i>				
Sales - Period 0	21	48	-27	p < 0.001
Sales - Period 1	41	65	-24	p < 0.1
Sales - Period 2 (e)	54	75	-19	ns
Sales - Period 3 (e)	56	55	1	ns

(e) estimate

ns: non significant at the 10% level

As can be seen from the above tables, the experiential knowledge gained during the TMs allowed NTMs to catch up with EXPs in terms percentage of firms obtaining sales in the 24 months following the TMs. This may be the result of the additional effort put into the setting up of a network in the target markets through reliable agents.

7.2.5.2 Market Knowledge and Competence

This section explores the qualitative performance between NTMs and EXPs. As demonstrated in the literature, government programmes should also be evaluated according to the knowledge and the competence acquired by participating firms as well as the use they make of the latter (Brezzo and Perkal 1983).

A five-point Likert scale was used to investigate the competence related to market knowledge acquired by both groups during the TMs. NTMs found that their competence in systematically searching for export opportunities was increased by participating in TMs. This difference was the only statistically significant result in the competence acquired by both groups (Table 7-15). This may imply that NTMs learnt a process that could be applied to future searches for market opportunities. It is also interesting to note that NTMs rated all the 'competence' dimensions consistently higher or of equal importance than EXPs.

Table 7 - 15: Differences in contribution of TMs to competence acquired between NTMs and EXPs

Competence	NTMs Mean	EXPs Mean	Difference in Means (NTMs-EXPs)	Significance
Understanding	4.0	3.6	0.4	ns
Systematic search for export opportunities	3.6	2.9	0.7	p < 0.05
Awareness	3.5	3.4	0.1	ns
Market competence	3.4	3.4	0.0	ns
Faster market entry	3.2	3.1	0.1	ns

ns: non significant at the 10% level

7.2.5.3 Perceived Benefits of TMs

The respondents were asked to rank order the benefits obtained from the TMs studied from '6' = 'most important' to '1' = 'least important'. In that case, the Mann-Whitney U test was applied since the data was ordinal (Malhotra 1996). There are no significant differences between the two groups as shown in Table 7-16.

NTMs ranked the tangible benefits (such as administrative arrangements and financial package) higher than EXPs. EXPs valued the trade missions for their more holistic benefits (such as prestige and support from group members). However the financial benefits from the grant was important to both NTMs and EXPs as it was ranked third by both groups. Trade missions were therefore perceived by NTMs mainly as a way to reduce their administrative burden and by EXPs as a means to increase their visibility in foreign markets.

Table 7 - 16: Comparison of perceived benefits received from TMs between NTMs and EXPs

Benefits	NTMs	NTMs	EXPs	EXPs
	Mean	Rank	Mean	Rank
Efficiency due to administrative arrangements	28	1	22	6
Financial benefits from travel package	27	2	23	5
Financial benefits from grant	26	3	25	3
Prestige, credibility, visibility	25	4	27	1
Support from group members	23	5	26	2
Safety due to number	21	6	24	4

The respondents were then asked to compare TMs with individual visits as promotional tools for market entry. Consistent with the results above, NTMs ranked the benefits of TMs higher than or equal to EXPs when compared to individual visits (Table 7-17). The only significant difference was in the way both groups perceived TMs as a means to enter foreign markets faster (earlier business). NTMs reported that TMs were more efficient than individual visits for speeding up market entry. EXPs perceived this advantage to be less important, possibly due to the experiential knowledge they already possessed about the market. Overall, trade missions provided both NTMs and EXPs with more thorough market knowledge and lighter administrative burden than individual visits. This was illustrated by the above average scores reported on those criteria in Table 7-18. However, this improved market knowledge did not seem to result in increased efficiency of market entry. The criteria *earlier business*, *competitive knowledge*, and *earlier orders* were rated just below average.

Table 7 - 17: Differences in benefits from TMs when compared to individual visits

Criteria	NTMs	EXPs	Difference in Means (NTMs-EXPs)	Significance
	Mean	Mean		
Cultural knowledge	3.7	3.4	0.3	ns
Organisational help	3.6	3.6	0.0	ns
Market knowledge	3.6	3.4	0.2	ns
Lighten financial burden	3.5	3.8	-0.3	ns
Key contacts	3.4	3.3	0.1	ns
Quality of contacts	3.2	3.1	0.1	ns
Earlier business	3.2	2.7	0.5	p < 0.1
Competitive knowledge	2.9	2.6	0.3	ns
Earlier orders	2.6	2.6	0.0	ns

ns: non significant at the 10% level

7.2.5.4 Need for Adaptation and Commitment

Adaptation to market needs is a source of competitive advantage to firms while strengthening business relationships (Hallén et al. 1991). Respondents' perception about

the need for adaptation and commitment was measured on a 3-point scale index including seven items. First, the need for adaptation and commitment was compared between the two groups, then adaptation and commitment were compared for each group to determine whether NTMs perceive the market differently than EXPs.

Results show that significant differences exist in the way NTMs and EXPs perceive the need for additional business trips and the need for adapting prices (Tables 7-18 and 7-19). NTMs felt the necessity to make more visits to the market while EXPs thought that adapting their prices to the market was important at this stage. There was no difference between groups in the actual commitment to the market.

Table 7 - 18: Differences in perceived needs for adaptation to the market between NTMs and EXPs

Need for Adaptation	NTMs	EXPs	Difference in Means (NTMs-EXPs)	Significance
Additional business trips	2.4	1.6	0.8	p<0.1
Increase export commitment	2.0	1.7	0.3	ns
Promotional material	1.8	1.6	0.2	ns
Prices	1.7	2.1	-0.4	p<0.1
New products	1.7	1.6	0.1	ns
Increase marketing budget	1.6	1.5	0.1	ns
Product	1.4	1.7	-0.3	ns

ns: non significant at the 10% level

Table 7 - 19: Differences in perceived needs for commitment to the market between NTMs and EXPs

Need for Commitment	NTMs	EXPs	Difference in Means (NTMs-EXPs)	Significance
Additional business trips	1.7	1.6	0.1	ns
Increase export commitment	1.8	1.8	0.0	ns
Promotional material	1.6	1.6	0.0	ns
Prices	1.7	2.1	-0.4	ns
New products	1.6	1.7	-0.1	ns
Increase marketing budget	1.4	1.5	-0.1	ns
Product	1.4	1.7	-0.3	ns

ns: non significant at the 10% level

The perceived need for adaptation and commitment were then compared for each group. There were some significant differences in the way NTMs viewed the adaptation of their promotional material and the number of additional business trips required compared to the necessary commitment to the market (Table 7-20). The level of commitment was lower than the perceived need for adaptation. This may be due to the time frame that was taken into consideration (6 months), which may have been too short to increase the

commitment in these areas. Also, the business relationships begun during the TMs may not have been sufficiently developed to commit resources to the market as yet.

Table 7 - 20: Differences in need for adaptation and commitment to the market among NTMs

Variables	Adapt	Commit	Difference in Means (Adapt - Commit)	Significance
Additional business trips	2.4	1.6	0.8	p<0.1
Increase export commitment	2.1	1.8	0.3	ns
Promotional material	1.8	1.6	0.2	p<0.001
Prices	1.7	1.7	0.0	ns
New products	1.8	1.6	0.2	ns
Increase marketing budget	1.6	1.4	0.2	ns
Product	1.5	1.4	0.1	ns

ns: non significant at the 10% level

When adaptation and commitment were compared for EXPs, these firms rated their perceived need for adaptation and their actual commitment as similar (Table 7-21). This could possibly be due to the fact that, thanks to the experiential knowledge gained in the past, EXPs had already conducted some adaptation. EXPs now felt that the efforts they had put in were adequate to serve the market.

Table 7 - 21: Differences in need for adaptation and commitment to the market among EXPs

Variables	Adapt	Commit	Differences in Means (Adapt - Commit)	Significance
Additional business trips	1.7	1.8	-0.1	ns
Increase export commitment	1.8	1.8	0.0	ns
Promotional material	1.6	1.6	0.0	ns
Prices	2.1	2.1	0.0	ns
New products	1.6	1.6	0.0	ns
Increase marketing budget	1.6	1.6	0.0	ns
Product	1.8	1.7	0.1	ns

ns: non significant at the 10% level

7.2.6 Satisfaction with TMs

Satisfaction with the TMs surveyed was measured with the intention expressed by participants to use TMs in the future and their satisfaction with various aspects of the TM process itself.

7.2.6.1 Use and Future Use of TMs

To the question 'Would you have visited these markets without a trade mission?', NTMs answered that they would not have been likely to have done so (Table 7-22) and the difference between the two groups was significant ($p < 1\%$, $df: 2$, $\chi^2 = 15$). Therefore, consistent with the DTI's objectives, TMs encourage export to new markets, which results in expansion of exports for the UK as a whole.

NTMs are more likely to use the trade mission scheme even if it is not subsidised than EXPs, although the difference is not significant. This may imply that the other added values that trade missions bring to NTMs (for example acquisition of market knowledge and competence, administrative help) are more important than financial support. The risks of market entry are also perceived to be higher for NTMs. For these exporters, joining a trade mission may be an attempt to offset uncertainty.

Table 7 - 22: Intention to use TMs

Intention to use TMs	NTMs	EXPs
Intention to visit the market without TMs ($p < 1\%$, $df: 2$, $\chi^2 = 15$)		
Yes	36%	72%
No	42%	11%
Don't Know	22%	17%
Intention to participate in TMs even if not subsidised		
Yes	23%	15%
No	50%	65%
Don't Know	27%	20%
Intention to use a TM for the next visit to the market		
Yes	19%	22%
No	49%	33%
Don't Know	32%	44%
Intention to use TMs in the future		
Yes	85%	91%
No	2%	0%
Don't Know	13%	9%

There was no statistical difference in the way the two groups expressed their intention to use TMs on their next visits to the markets. Almost half NTMs would not use a TM on their next visit against one third EXPs. These answers could be due to the fact that NTMs perceive the need for more flexibility on their next visits to the markets than what is generally allowed with trade missions. EXPs answers could be motivated by the

financial benefits attached to TMs, as these exporters may not gain as much from the other features of TMs. When asked more generally whether both groups would use TMs again in the future, the majority of both NTMs and EXPs (85% and 91% respectively) would do so. This shows the relevance of the scheme for new market entry strategy.

7.2.6.2 Satisfaction with the TM Process

Table 7 - 23: Satisfaction with TMs

Satisfaction Criteria	NTMs Mean	EXPs Mean	Difference in Means (NTMs-EXPs)	Significance
<i>LCCI Responsibilities</i>				
Quality of support from LCCI	4.6	4.5	0.1	ns
Satisfaction with organisation	4.6	4.5	0.1	ns
Relevance of briefing meeting	2.9	2.0	0.9	p < 0.05
Satisfaction with costs	3.7	3.5	0.2	ns
<i>DTI Responsibilities</i>				
Quality of support from overseas posts	4.4	4.4	0.0	ns
Relevance of contacts	4.2	4.1	0.1	ns
Relevance of activities	3.8	3.5	0.3	p < 0.01
<i>Participants' Value Perception</i>				
Relevance of TM with firm's needs	4.0	4.1	-0.1	ns

ns: non significant at the 10% level

Overall, all parts of the TM process received a high rating (means ranging from 3.5 to 4.6, on a 5-point scale). The exception was for the briefing meeting organised by the LCCI (Table 7-23). This event was rated below average with a mean of 2.9 for NTMs and 2.0 for EXPs, and this difference was significant. During these meetings, EXPs often contributed to the transmission of up-to-date and practical knowledge for the benefits of NTMs rather than gaining relevant new knowledge themselves. As a consequence, the briefing meetings may not have been as beneficial to EXPs.

The other significant difference was in the rating of the activities during the TMs. EXPs perceived the activities during the TMs to be less relevant to their needs as they had already acquired some experiential knowledge about the markets. Some of the criticisms were directed at the official meetings which were generally not the appropriate venues to conduct business.

The overall results from Table 7-24 demonstrate that TM organisers should come closer to their customers' needs and provide more appropriate services in relation to the participants' objectives and previous experience with the market. The DTI policy is to encourage both NTMs and EXPs to participate in the same TMs so that they learn from each other. However, TM organisers should strive at catering better for the different needs of the two groups.

7.3 CONCLUSION

This chapter highlighted the major characteristics of the sample studied: the firms under investigation were primarily well-established SMEs that used TMs to expand to new foreign markets.

The remainder of the chapter focused on uncovering the differences between NTMs and EXPs' behaviour and performance. The objective was to assess the impact of the acquisition of experiential knowledge on TM participating firms over time as this may have an impact on subsequent analysis.

The findings from this chapter support Seringhaus' (1989) assertion that TMs can be called 'a learning experience in export markets'. However, the present study outlines that this is mainly true for exporters that have never visited the markets before. NTMs' primary objective was to establish a presence in the market through the appointment of agents. As such, NTMs were actively involved in following-up with the agents met during the TMs in the 12 to 24 months following the event. For EXPs, the primary objective was to develop the business relationships already established.

The newly appointed agents started to be productive approximately 12 months after the TMs; this was outlined by the high percentage of firms expecting to obtain requests for quotes among NTMs when compared to EXPs. However, causality cannot be inferred. Two years after the TMs, the percentage of NTMs expecting to obtain sales in the markets was almost identical to that of EXPs. This can be explained by the competence NTMs have acquired through their agents and the contacts they met during the TMs. NTMs systematically rated the competence acquired and the benefits obtained from the

TMs higher than EXPs. NTMs perceived TMs as providing a more systematic approach to searching for business opportunities in foreign markets.

The experiential knowledge gained by NTMs also led them to believe that neither their prices nor their promotional material matched market requirements and that some adaptation was necessary in these areas. Moreover, NTMs felt that additional visits to the markets would be instrumental in gaining more knowledge about them.

NTMs seemed more enthusiastic about future use of trade missions than EXPs, even if they were not subsidised. This could be due to the additional perceived benefits they gained from them. Forty two per cent of NTMs would not have visited the markets without the TMs. These findings show that the support provided by the sponsor, the local embassy staff, the DTI, and other participants helped NTMs to overcome the psychological barriers linked with foreign market entry. The main benefits EXPs found in joining TMs seemed to be intangible outcomes such as prestige and visibility as well as the subsidies. EXPs would be less likely than NTMs to participate in TMs in the future if they were not subsidised.

These differences in objectives, behaviour, and attitudes among NTMs and EXPs imply that TM organisers should be more sensitive to the needs of TM participants. Activities that would facilitate business transactions for EXPs could be developed, or possibly the opportunity offered to EXPs to meet less stringent DTI requirements so that they would have the flexibility to conduct business as they see fit.

The emphasis of the following chapter is to determine the variables that influence TM outcomes and export performance over time following TM participation. The results will have to be interpreted in light of the differences that exist between exporters that visited the market for the first time and those that did not as outlined in this chapter.

8. DETERMINANTS OF TRADE MISSIONS OUTCOMES AND IMPACT ON EXPORT PERFORMANCE

8.0 INTRODUCTION

This chapter presents the analysis and the results of the empirical work carried out on a sample of UK firms participating in overseas TMs. These TMs were subsidised by the DTI and organised by the London Chamber of Commerce and Industry in 1996. Section 8.1 explains and justifies the analytical method selected for this investigation, which is recursive regression. Section 8.2 provides the detail for the tests of the three hypotheses developed in Chapter 5.

8.1 DATA ANALYSIS PLAN

The twelve TMs being investigated led participants to up to two countries per TM and data were collected for each country. However, during the data preparation phase, it was clear that the questions related to firms' behaviours and attitudes in a market were answered in a similar way for the two countries visited. This is despite the fact that the second visited country may have had less strategic appeal for the firms and had been the object of an initial exploratory visit while in the area, as mentioned during the interviews. Therefore, the answers for each country should have been different. To avoid this type of respondents' error, data was analysed only for the first country visited by each firm.

The data analysis was carried out in two main phases. The aim of the first phase was to identify the predictor variables to TM outcomes and export performance during the TMs

among the group of 113 respondents. The second phase of the data analysis was to single out the factors that would influence sales in the 6, 12 and 24 months following the TMs. This part of the analysis was carried out on the 52 respondents to the second questionnaire.

The analytical method needed to carry out this investigation had to take into account a number of characteristics as illustrated in the models presented in Figures 5-2 and 6-3.

These characteristics are as follows:

- Several groups of independent variables were hypothesised to influence a number of dependent variables;
- The independent variables were both metric and non-metric;
- Several metric dependent variables were included in the model and had to be tested;
- The influence of the independent variables on the dependent variables had to include a time factor as well as dependency of future outcomes on previous ones.

A statistical model that takes the time factor into consideration is time series analysis. This model requires a set of observations on a variable, taken at equally spaced intervals over time. Furthermore, in a time series model, 'no attempt is made to relate y_t to other variables. The movements in y_t are 'explained' solely in terms of its own past, or by its position in relation to time.' (Harvey 1984). The models in Figure 5-2 and 6-3 assume that other variables influence the groups of dependent variables TM outcomes and export performance over time. Moreover, only two sets of data were collected for these variables. The other values for the dependent variables included in the analysis were predictions and not observations. Time series analysis, therefore, did not fit all the characteristics of the data for this investigation and was discarded.

Multivariate analysis of variance (MANOVA) is a statistical technique that determines how a set of metric dependent variables is affected by a number of nominal variables (Sharma 1996). This techniques would determine the predictor variables to TM outcomes and export performance, however, it would not take into consideration the fact

that outcomes in later periods may be affected by outcomes in prior periods. Therefore, this technique was also discarded.

A model that takes into account multivariate dependencies over time is recursive regression. This model consists of regressing the independent variables in each period on each selected dependent variable for the period. Time and dependencies between variables are included in the equation in each period through intermediate variables that serve as response to some variables and explanatory to others (Cox and Wermuth 1996). This approach, therefore, takes into account the results obtained in the market over the four periods investigated and their impact on following periods. This technique was used by Spies et al. (1997) in another marketing context. It is best illustrated by the following diagram:

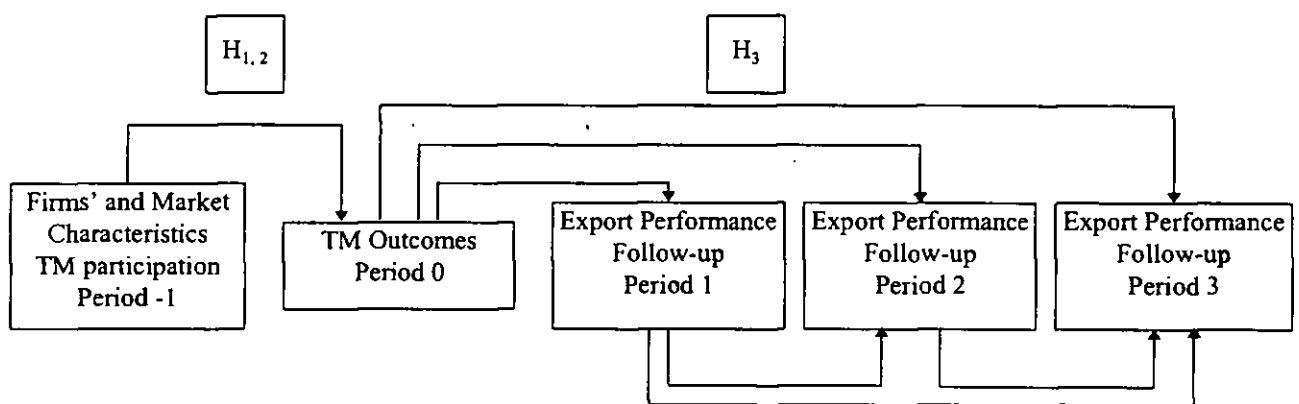


Figure 8 - 1: Dependencies Between the Independent and Dependent Variables

The diagram shows that *TM Outcomes* in period 0 is a response variable for *Firms' and Market Characteristics* and *TM Participation* and an explanatory variable for *Export Performance* in period 1, and so on for the variables in periods 1 and 2.

The choice of method (linear or logistic regression) depended on whether the dependent variables met the assumption of normality. For example, the variable *agents* presented a skewed distribution as only 20 per cent of respondents appointed agents during the TMs. The scale of this variable was therefore dichotomised (all values greater than '0' were

given the value '1') and logistic regression was used. Contrary to MANOVA, recursive regression can only handle one dependent variable at a time. As a consequence, a regression model had to be suggested for each dependent variable.

The first phase of the analysis consisted of testing whether firms' knowledge characteristics were more significant than both firms' structural characteristics and market characteristics on TM outcomes and export performance. The various groups of independent variables identified in Section 6.3.2 were input in the regression function using the backward elimination technique, together with the intervening group of variables *TM participation*. This process assessed the influence of these groups of variables on the four measures of TM outcomes (leads, contacts, quotes, agents), and the measure of export performance (sales) in period 0 (during the TMs). Other measures of TM outcomes (partners appointed) and export performance (orders, growth in total turnover, growth in market turnover, and growth in market share) could not be used in the analysis as they included too many missing values. The variables used in the first phase of the analysis are presented in Table 8-1. This analysis was performed on the 113 respondents to the first questionnaire.

Table 8 - 1: Variables used in the first phase of the analysis

Independent Variables	Scales
<i>Structural Characteristics</i>	
Turnover	Interval
Number of employees	Interval
Service	Dichotomous
Adequacy of human resources	Ordinal
Adequacy of financial resources	Ordinal
<i>General Export Knowledge</i>	
Export diversification - Countries	Ratio
Export diversification - Regions	Ratio
Export experience	Interval
Export intensity	Interval
Export employees	Interval
TM experience	Ratio
Language proficiency	Ordinal
<i>Objective Export Knowledge</i>	
Adaptation of marketing mix	Ordinal
Pre-arranged meetings	Ordinal
Market language	Ordinal
<i>Experiential Market Knowledge</i>	
Market turnover	Ratio
Visits	Ratio
<i>Market Characteristics</i>	
GDP per capita	Ratio
GDP growth	Ratio
<i>TM Participation</i>	
TM costs	Ratio
TM subsidy	Ratio

Dependent Variables	Scales
<i>TM Outcomes</i>	
Contacts ₀	Ratio
Leads ₀	Ratio
Quotes ₀	Ratio
Agents ₀	Dichotomous
<i>Export Performance</i>	
Sales ₀	Dichotomous

The second phase in the analysis consisted of assessing the impact of TM outcomes, export performance, acquired competence, and follow-up activities in each of the four time periods on export performance as illustrated in Figure 8-1. To this end, the variables measuring cumulative TM outcomes and export performance in the previous periods as well as cumulative follow-up activities were entered as independent variables to export performance in each period. It was expected that this analysis would show the evolution of the relationship between buyers and sellers as explained in Section 2.3.2. In other words, acquired competence, i.e. a better understanding of the market, should influence sales in subsequent periods. The cumulative number of contacts, leads, and agents as well as follow-up should influence sales in periods one and two, while the cumulative amount of quotes and sales obtained in periods one and two as well as the follow-up conducted should influence sales in the last period investigated.

This test was conducted with the 52 respondents to the second questionnaire. The list of variables used in this phase of the analysis is presented in Table 8-2.

Table 8 - 2: Variables used in phase two of the analysis

Period 1 (6 months after TMs)		Period 2 (12 months after TMs)		Period 3 (24 months after TMs)	
Independent Variables	Scales	Independent Variables	Scales	Independent Variables	Scales
<i>Cumulative Performance</i>		<i>Cumulative Performance</i>		<i>Cumulative Performance</i>	
Contacts ₀	Ratio	Contacts _{0,1}	Ratio	Contacts _{0,1,2}	Ratio
Leads ₀	Ratio	Leads _{0,1}	Ratio	Leads _{0,1,2}	Ratio
Quotes ₀	Ratio	Quotes _{0,1}	Ratio	Quotes _{0,1,2}	Ratio
Agents ₀	Ratio	Agents _{0,1}	Ratio	Agents _{0,1,2}	Ratio
Sales ₀	Ratio	Sales _{0,1}	Ratio	Sales _{0,1,2}	Ratio
<i>Cumulative Follow-up</i>		<i>Cumulative Follow-up</i>		<i>Cumulative Follow-up</i>	
Follow-up with customers ₁	Ratio	Follow-up with customers _{1,2}	Ratio	Follow-up with customers _{1,2,3}	Ratio
Follow-up with agents ₁	Ratio	Follow-up with agents _{1,2}	Ratio	Follow-up with agents _{1,2,3}	Ratio
Follow-up visits ₁	Ratio	Follow-up visits _{1,2}	Ratio	Follow-up visits _{1,2,3}	Ratio
		<i>Acquired competence</i>	Ordinal	<i>Acquired competence</i>	Ordinal
Dependent Variables	Scales	Dependent Variables	Scales	Dependent Variables	Scales
Sales ₁	Ratio	Sales ₂	Ratio	Sales ₃	Ratio
Acquired competence	Ordinal				

* '0' indicates the period during the TMs

Multicollinearity is a problem that can arise in multiple regression analysis as some of the predictor variables may be highly correlated. In this study, a few pairs of predictor variables have a correlation coefficient above 0.5 as shown in Table 8-3. This may lead to partial regression coefficients that are not estimated precisely or that have the wrong sign. The standard errors are also likely to be high.

However, when the tolerance test was performed with SPSS, all the tolerances were high. This indicates that all the predictor variables had little of their variability explained by the other predictor variables (Norušis 1994a). As a consequence, multicollinearity should not have an influence in the types of predictor variables included in the models or in the magnitude of their respective coefficients.

Table 8 - 3: Correlation Matrix - Variables with coefficients larger than 0.5

	EXPREG	SIZEMP	SIZEMP	RESFIN	CNCT0	LEADS0	CNTC1	CUMLDS2
EXPCTRY	0.53 P<1%							
EXPEXP	0.63 P<1%	0.52 P<1%						
SIZTURN			0.80 P<1%					
RESHUM				0.70 P<1%				
LEADS0					0.63 P<1%			
QUOTES0						0.57 P<1%		
LEADS1							0.63 P<1%	
QUOTES1							0.56 P<1%	
CUMCNT2								0.73 P<1%
CUMQTS2								0.54 P<1%

8.2 HYPOTHESES TESTING

8.2.1 Impact of the Macro and Micro Environment on TM Outcomes and Export Performance

Hypothesis one was concerned with the prerequisite characteristics which are most likely to influence TM outcomes following TM participation. The basis for this hypothesis was that it is the knowledge acquired by firms prior to participating in TMs that is most instrumental in predicting TM outcomes and export performance. It has been suggested that export experience and export structure (Aaby and Slater 1989, Madsen 1989), as well as active preparation before the TMs (Branch 1990, Hibbert 1990), and experiential knowledge gained in the market (Denis and Depelteau 1985) may have a stronger influence on export performance than firms' structural characteristics or market characteristics.

These groups of variables, as developed in Section 6.3, were tested using a multiple regression analysis. Similar approaches were used by Axinn (1988) and Madsen (1989) to explain variations in the export performance of their samples. The object of this analysis was to explain variations in TM outcomes and export performance of firms with various characteristics.

The general equation for the linear regression model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_p X_p + \varepsilon$$

where: Y = response variable

X = predictor variable

ε = error

p = pth predictor variable in the equation with its coefficient

In the model developed in Chapter 5, a number of variables were identified from the literature and interviews with participants, as influencers of TM outcomes and export performance. The backward elimination method was used to identify the variables that would have a statistically significant influence ($p < 5\%$) on the selected dependent variables.

8.2.1.1 'Contacts'

The first part of the multiple regression analysis is concerned with the variable *contacts₀*⁶ which measures the contacts obtained during the TMs. When all the firms were included in the analysis, no acceptable model could be found. The model was then refined to include only those firms that had reported at least one contact during the TM. In other words, only values greater than zero for the variable *contacts₀* were considered for the analysis. This is a normal procedure in model testing as explained by Gilbert (1993). The purpose of the model was, therefore, to determine these variables that are most likely to predict success in obtaining contacts during the TMs.

A logarithmic transformation was used on the dependent variable *contacts₀* to improve the linearity of the model. Transforming the data improve the homoscedasticity of the variable and ease the interpretation of results without distorting these results (Norušis 1994a).

Through backward elimination, variables with an observed significance level of 5 per cent or larger were removed one by one. Only the significant variables were left in the final model, resulting in the following regression model for the dependent variable *contacts₀*:

$$contacts_0 = 0.8 - 0.35^7 (\text{export experience}) + 0.42 (\text{export diversification - countries}) - 0.26 (\text{export department}) + \text{error}$$

The adjusted multiple correlation coefficient R^2 for the model is 10 per cent with a significant *F-statistics* at $p < 5\%$. This means that the independent variables which are significant for the model explain 10 per cent of the variance in the dependent variable *contacts₀*. This model gives a rather weak relationship. This could be due to other variables, not included in the model, influencing the acquisition of contacts during the TMs.

⁶ Defined as individuals that may facilitate the firm's dealing with the market.

⁷ The multiple regression equations are represented with the standardised regression coefficients Beta (β).

In the model represented above by the equation for the variable *contacts₀*, *export diversification*, *export department*, and *export experience* are associated with *contacts*. *Export diversification* is positively related to *contacts*. Firms that have been exposed to the market entry process in various countries have learnt skills that they could use successfully in other environments. Therefore, these firms have overcome the motivational barriers to export. They have also acquired process skills that allows them to obtain relevant information about a market efficiently. In other words, a pro-active attitude toward exports help overcome export barriers and facilitate the building up of business relationships during TMs.

Firms that are successful in obtaining contacts during the TMs may not need extensive export experience or an export structure. This is illustrated by the negative coefficients associated with the variables *export experience* and *export department*. Less experienced exporters, which may also be the less structured, may have been more active in trying to establish themselves in the markets targeted by the TMs which resulted in a greater number of contacts being generated. These exporters may also have been less selective in what they considered to be a contact.

8.2.1.2 'Leads'

The same multiple regression analysis is applied to the logarithmic transformation of the variable *leads₀*. This variable measured the leads obtained during the TMs. The significant variables remaining in the equation after backward elimination gave the following equation:

$$leads_0 = 0.20 - 0.43 (\text{export experience}) + 0.62 (\text{export diversification-countries}) + 0.38 (\text{pre-arranged meetings}) + \text{error}$$

This model gave an Adjusted R^2 of 34 per cent, that is the independent variables explained 34 per cent of the variance in the dependent variable *leads₀*. The *F-statistic* for this model was significant at $p < 1\%$.

An outlier above the third standard deviation may have pushed the regression line slightly upwards. This outlier represents a small wholesale distributor (with less than 50

employees and a turnover between £2.5M and £5M), with a heavy dependence on export (50% to 75% of the turnover is exported) and 5 to 9 years of export experience. This firm reported having experienced a sharp decrease in turnover in the year prior to the TM to Cyprus. Therefore, the firm may have had additional pressure to perform while on the TM. The number of leads reported to have been obtained on this first visit to Cyprus was 32.

In this model, *export diversification*, that is previous experience in the export process, and *pre-arranged meetings* with contacts, agents, or potential customers are positively associated with $leads_0$. This means that firms that show a positive attitude toward exports and that have made some effort prior to the TMs to arrange to meet relevant individuals may be more likely to obtain leads during the TMs.

On the contrary, *export experience* is negatively associated with the variable $leads_0$. This may indicate that firms that had more export experience came to maintain the relationships already established as opposed to building new ones.

8.2.1.3 'Quotes'

The same analysis is then applied to the dependent variable $quotes_0$. The resulting equation is as follows:

$$quotes_0 = 0.44 + 0.47 (\text{firm's size-turnover}) - 0.83 (\text{export experience}) + 0.69 (\text{export diversification-regions}) + 0.39 (\text{market language}) - 0.29 (\text{TM subsidy}) + \text{error}$$

For the same reasons as explained above for the dependent variables $leads_0$ and $contacts_0$, the firms included in this analysis have obtained at least one quote during the TMs. This model gave an adjusted R^2 of 35 per cent, that is the independent variables explained 35 per cent of the variance in the dependent variable $quotes_0$. The *F-statistic* for this model was significant at $p < 1\%$.

The dependent variable $quotes_0$ is positively associated with *firms' turnover*, *export diversification*, and *proficiency in the target market language*. In other words, during the TMs, business partners in the target country are more likely to request quotes from larger firms with experience in the export process, and with knowledge of the market language.

These results demonstrate that general knowledge acquired by the firm in other markets facilitates the acquisition of processes that can be transferred to new export situations, which supports Eriksson et al. (1997) findings.

The variable *export experience* is negatively associated with *quotes₀*. The more export experience firms had, the fewer quotes they obtained. This could have been due to the different objectives these firms may have had. Their primary objective may not have been to visit the market to solicit quotes, but to cultivate business relationships, as mentioned before.

Export subsidy is also negatively associated with *quotes₀*, which implies that the larger the subsidy, the smaller the number of quotes obtained during the TMs. The level of subsidy is generally associated with the expenses incurred to get to the markets: the further away the markets and the more expensive they are to enter, the larger the subsidy granted by the DTI. Among the TMs investigated, the highest amount of subsidy were given to visit countries in Latin America. These countries being high-context culture, establishing a business relationship takes time as it is primarily based on trust (Hollensen 1998). In consequence, quotes can only be obtained after several visits.

Two outliers may have slightly distorted the fit for the regression line. These are firms that reported having obtained respectively 80 and 20 quotes from the TMs. The firm that obtained 80 quotes has been mentioned before. It may be that this firm had a tendency to overestimate the results obtained from the TM due to the situation of decreasing turnover it is experiencing. The second outlier represents a firm that obtained 20 quotes from the TM to Nigeria. This firm is a wholesaler of chemical products. It is a small exporter (less than 99 employees with turnover between £10M and £50M) that never visited the country before. These two outliers represent wholesalers for which the main business activity is sale. This could explain the large number of quotes and leads obtained during the TMs compared to other firms in the sample.

8.2.1.4 'Agents'

There were two variables for which the linear regression model was not appropriate (i.e. *agents* and *sales*). This is because these two variables were not normality distributed.

These two variables were then tested with the logistic regression model. Instead of assuming linearity, the logistic regression model assumes that the data plot would follow a logistic regression curve which is S-shaped. This logistic regression model tests the relationship between the independent variables and the probability of the occurrence of an event. For this model, the independent variables would have to be qualitative and could only take the values of '1' and '0'. In the present study, '1' would be the probability of obtaining an outcome during the TMs (i.e. appointing agents or generating sales), and '0' the probability of not obtaining any outcome.

The equation for the model would take the following form:

$$\text{Prob(event)} = \frac{1}{1 + e^{-Z}}$$

with $Z = B_0 + B_1 X_1 + B_2 X_2 + \dots + B_p X_p$

When the logistic regression model is applied to the variable *agents₀* (i.e. the number of agents appointed during the TMs), the following equation results (significance of the variable: $p < 5\%$):

$$Z_{(\text{agents}_0)} = -0.82 - 0.03 (\text{export diversification} - \text{countries})$$

In the logistic regression model, the sign of the coefficient influences positively or negatively the probability of occurrence of the event that is measured. In the case of the variable *agent*, the probability of appointing agents decreases as the number of countries firms are exporting to increases. This result may be explained by the fact that firms using a diversification strategy may already have a network of contacts they can rely upon and do not need to expand this network much further, but to increase the co-ordination and integration between members and across borders (Johnson and Gunnar-Mattsson 1995).

The significance of this model is shown in Table 8-4. The scaled deviance represents the goodness-of-fit statistics for a sequence of models, each including one more term than the previous one (McCullach and Nelder 1989). Table 8-4 shows that the scaled

deviance is 66.78 when no variable is in the model. The decrease in the value of scaled deviance as variables are added in the model means that the fit of the model is improving. The final scaled deviance of 62.56 is smaller than the degrees of freedom (67), which indicates a good fit for the model. The change in the scaled deviance is also significant ($p < 5\%$).

Table 8 - 4: Model significance for the variable *agents₀*

Model	df	Scaled deviance	Change		Significance
			df	Scaled deviance	
Constant	68	66.78	1	4.22	.0399
Constant + 1 variable	67	62.56			

8.2.1.5 'Sales'

The logistic regression model is then applied to the variable *sales₀*. The variance in the variable *sales₀* is explained by the following equation (significance of the variables: $p < 10\%$):

$$Z_{(sales_0)} = -7.35 - 0.29 (\text{turnover}) + 0.24 (\text{number of employees}) + 2.42 (\text{service firm}) + 2.18 (\text{language proficiency}) + 0.34 (\text{export experience}) + 0.70 (\text{pre-arranged meetings}) - 0.59 (\text{adaptation of marketing mix})$$

Sales during the TMs are associated with the three groups of variables *firm's structural characteristics*, *general export knowledge*, and *objective knowledge*. This may imply that firms have to have developed a comprehensive approach to deal with export markets before sales can be generated.

Table 8-5 is the classification table for the variable *sales₀*. This table shows that 86 per cent of the cases are correctly predicted.

Table 8 - 5: Classification table for *Sales₀*

Actual outcome	Predicted outcome		Percentage
	0	1	
0	42	4	91%
1	6	17	74%
Overall correctly predicted cases: 86%			

The seven-variable model for *sales₀* is highly significant as indicated by the change in the scaled deviance and its level of significance as explained above for the variable *agents₀* (Table 8-6).

Table 8 - 6: Model significance for the variable *sales₀*

Model	df	Scaled deviance	Change		Significance
			df	Scaled deviance	
Constant	68	87.83	7	31.94	.0000
Constant + 7 variable	61	55.89			

8.2.1.6 Overall Findings

Table 8-7 summarises the results obtained by applying the linear and logistic models to the data. It presents the standardised regression coefficients (Beta coefficients) for the linear regression analysis and the regression coefficients for the logistic regression analysis which are significantly related (at the 5 per cent significance level) to the respective measures of TM outcomes and export performance.

Table 8 - 7: Regression analysis of TM outcomes and export performance following participation in TMs

Independent Variables	Dependent Variables				
	(Beta coefficients for linear regression and regression coefficients for logistic regression)				
	TM Outcomes				Export Performance
	Contacts ₀	Leads ₀	Quotes ₀	Agents ₀	Sales ₀
<i>Structural Characteristics</i>					
Turnover			0.47 (.00)		-0.29 (.02)
Number of employees					0.24 (.05)
Service					2.42 (.02)
<i>General Export Knowledge</i>					
Export diversification - Countries	0.42 (.00)*	0.62 (.00)		-0.03 (.09)	
Export diversification - Regions			0.69 (.00)		
Export experience	-0.35 (.03)	-0.43 (.00)	-0.83 (.00)		0.34 (.01)
Export department	-0.26 (.05)				
Language proficiency					2.18 (.02)
<i>Objective Knowledge</i>					
Adaptation of marketing mix					-0.59 (.05)
Pre-arranged meetings		0.42 (.00)			0.70 (.02)
Market language			0.39 (.00)		
<i>TM Participation</i>					
TM Subsidy			-0.29 (.04)		
Constant	0.70 (.00)	0.20 (.11)	0.31 (.00)	-0.81 (.06)	-7.35 (.00)
Adj. R ²	10%	34%	35%	n/a	n/a
χ ²	n/a	n/a	n/a	63 (df: 67)	65 (df: 61)
Significance of F / Change in sd	p<1%	p<1%	p<1%	p<5%	p<1%
SE	0.37	0.22	0.21	n/a	n/a
N	81	76	72	69	69

* () significance of the variables

The above findings indicate that the variables correlated with TM outcomes and export performance vary according to the dimensions being investigated, as it would be expected. The dimensions used to investigate TM outcomes and export performance can be classified in two major groups: (1) the variables that measure relationship building (i.e. contacts, leads, agents); and (2) the more tangible measures of export performance indicators (i.e. quotes and sales). Even within these two groups of variables, the factors that predict the number of leads obtained during the TMs are not necessarily the same as the factors that predict the number of contacts obtained. Therefore, it is important to distinguish between the various dimensions and to identify common patterns as will be developed in Section 9.2.1.

The next section looks at the impact of TM outcomes and follow-up activities on export performance over time.

8.2.2 Impact of TM Performance and Follow-up Activities on Export Performance

The second phase of the analysis was concerned with the impact of TM outcomes and follow-up activities on export performance. As explained in Section 8.1, cumulative

outcomes and performance in the previous periods and cumulative follow-up activities up to the period under investigation were entered as predictor variables to export performance (measured in terms of competence acquired during the TMs in period 1, and sales obtained in the following periods 1 to 3). The variables used in this part of the analysis were summarised in Table 8-2. These variables were identified through the literature review and exploratory interviews with participants.

The variable *acquired competence* is an index measuring the perceived competence acquired by firms during the TMs in terms of market knowledge and export process skills. The independent variables regressed on *acquired competence* were the outcomes obtained during the TMs (contacts, leads, agents, and sales) and the follow-up conducted in the market after the TMs (follow-up with customers and agents as well as follow-up visits) (Table 8-2).

Linear regression was used for *acquired competence* and logistic regression for *sales₁*, *sales₂* and *sales₃* (representing the amount of sales generated 6, 12, and 24 months after the TMs) as these latter dependent variables had a skewed distribution (as explained in Section 8.1).

The equations for the dependent variable *acquired competence* is as follows:

$$\text{acquired competence} = 3.07 + 0.43 (\text{contacts}_0)$$

The adjusted multiple correlation coefficient R^2 for the variable *acquired competence* is 17 per cent. In this case, this means that the number of contacts met during the TMs explained 17 per cent of the variance in the dependent variable *acquired competence*. These results support findings by Denis and Depelteau (1985) who demonstrated that experiential knowledge acquired in the field through TMs gave a feel for the market. In turn, this acquired competence influences sales 12 months after the TMs as seen in the equation below for *sales₂*. This shows that firms take some time to process the newly acquired experiential knowledge and consequently, this knowledge will generate tangible benefits at a later date.

The equations giving the results of the logistic regression analysis for the dependent variables *sales₁*, *sales₂* and *sales₃* are shown hereafter:

$$Z_{(\text{sales}_1)} = -0.67 + 0.61 (\text{follow-up with customers}_1)$$

$$Z_{(\text{sales}_2)} = -4.3 - 0.45 (\text{agents}_{0,1}) + 0.04 (\text{sales}_{0,1}) + 1.3 (\text{acquired competence})$$

$$Z_{(\text{sales}_3)} = -2.25 + 0.08 (\text{contacts}_{0,1,2}) + 0.01 (\text{sales}_{0,1,2}) + 0.41 (\text{follow-up visits}_{1,2,3})$$

As shown in Table 8-8, the results of the logistic regression analysis for the dependent variable sales_1 , sales_2 and sales_3 gave a reasonable fit for the data to the models. Between 56 and 75 per cent of the cases were appropriately predicted. These results are supported by the statistics presented in Table 8-9. As explained in Section 8.2.1.4, the decrease in the values of the scaled deviance as variables are added to the models indicates that the fit of the models is improving. The changes in scaled deviance between the models with no variables and the models with only the remaining significant variables are also highly significant.

Table 8 - 8: Classification table for sales_1 , sales_2 and sales_3

Sales₁				Sales₂				Sales₃			
Actual outcome	Predicted outcome		%	Actual outcome	Predicted outcome		%	Actual outcome	Predicted outcome		%
	0	1			0	1			0	1	
0	18	8	69%	0	12	5	71%	0	14	9	61%
1	15	11	42%	1	6	21	78%	1	9	20	69%
Overall correctly predicted cases			56%	Overall correctly predicted cases			75%	Overall correctly predicted cases			65%

Table 8 - 9: Model significance for the variables sales_1 , sales_2 and sales_3

Model	df	Scaled deviance	Change		Significance
			df	Scaled deviance	
Sales₁					
Constant	51	72.09	1	5.28	.0216
Constant + 1 variable	50	66.81			
Sales₂					
Constant	43	58.70	3	19.71	.0002
Constant + 3 variables	40	38.99			
Sales₃					
Constant	51	71.39	3	18.74	.0003
Constant + 3 variables	48	52.65			

The models for this phase of the analysis are summarised in Table 8-10. These models demonstrated that follow-up in the market is instrumental in turning contacts and leads

into sales as already stated by Branch (1989) and Hibbert (1990). In this study, follow-up with customers influenced sales six months after the TMs.

Besides following-up with customers, it is important to appoint agents in the target market. *Agents* together with *competence acquired* and *sales* obtained in the previous period are the main discriminating factors to sales obtained 12 months after the TMs. However, the negative coefficient for the variable *agent_{0,1}* implies that the quality of the agents appointed matters more than the number of agents in each market.

Twenty four months after the TMs, the momentum of sales generation is maintained by keeping a dialogue with influential people in the target markets (*contacts_{0,1,2}*), increasing the dependence between the business partners (*sales_{0,1,2}*), and visiting the markets again (*follow-up visits_{1,2,3}*). Although advances in technology facilitate contacts across borders, maintaining personal contact with foreign business partners through visits to the markets remains a necessity (Axelsson et al. 1992, Crick and Katsikeas 1995).

Table 8 - 10: Regression analysis for export performance in periods 1, 2, and 3

Independent Variables	Dependent Variables - Export Performance (Regression coefficients)								
	Period 1				Period 2		Period 3		
	Acquired Competence		Sales ₁		Sales ₂		Sales ₃		
	β	Coef.	Sign.	Coef.	Sign.	Coef.	Sign.	Coef.	Sign.
<i>Cumulative Outcomes and Performance</i>									
Leads _{0,1,2}									
Contacts _{0,1,2}	0.43		0.1%					0.08	2%
Quotes _{0,1,2}									
Agents _{0,1,2}						-0.45	4%		
Sales _{0,1,2}						0.04	6%	0.01	2%
<i>Cumulative Follow-up</i>									
Follow-up with customers _{1,2,3}				0.61	3%				
Follow-up with agents _{1,2,3}									
Follow-up visits _{1,2,3}								0.42	7%
<i>Acquired competence</i>						1.3	2%		
Constant	3.07			-0.67	11%	-4.3	3%	-2.25	.05%
Adj. R ²		17%			n/a		n/a		n/a
χ ²			n/a	67 (df: 50)		39 (df: 40)		53 (df: 48)	
Significance of F /		<1%		p<5%		p<0.1%		p<1%	
Change in sd*									
SE		0.84			n/a		n/a		n/a
N		52			52		44		52

*sd: Scaled Deviance

8.3 CONCLUSION

This chapter provided the results of the empirical analysis conducted on a sample of UK firms participating in overseas trade missions subsidised by the DTI and organised by the LCCI. A justification for the data analysis methodology was provided. Then, the three hypotheses developed in Chapter 3 were tested using recursive regressions. The findings demonstrated that: (1) firms' knowledge characteristics are instrumental in predicting TM outcomes linked with relationship-building activities (contacts, leads, agents); (2) firms' structural characteristics have an impact on the more tangible measures of TM outcomes and export performance (quotes and sales); and (3) regular contacts with foreign business partners following TM participation lead to export performance providing personal contacts through visits are maintained.

The last chapter of this thesis will provide an interpretation of the findings as well as implications for management and government agencies.

9. TOWARD AN INTEGRATED APPROACH TO TRADE MISSION SUCCESS

9.0 INTRODUCTION

This chapter concludes the research with a summary, interpretation and discussion of findings as well as their implications for management and the public sector. The purpose of this chapter is to highlight how this study contributed to the expansion of the body of knowledge concerning the evaluation of government programmes for export trade promotion, and more specifically overseas trade missions.

Section 9.1 presents a summary of the research background, and restates the research questions, the research objectives, and the hypotheses. Section 9.2 discusses findings from Chapters 7 and 8, interpreting the results in terms of firms' export behaviour and the relationship-building process between foreign buyers and suppliers. These findings are then summarised in a model of best predictor variables to TM outcomes and export performance over time. Section 9.3 provides an outline of the research contributions, both methodological and theoretical. Management implications of these research contributions are reported in Section 9.4. This research also has implications for the public sector: recommendations in terms of government policies are given in Section 9.5. Possible limitations of the study and suggestions for further research in the area of EPPs evaluation, TMs design and export performance are presented in Section 9.6.

9.1 SCOPE OF THE RESEARCH

9.1.1 Approach to the Problem

A number of evaluation studies on EPPs have been conducted in the past two decades (Czinkota 1983, NAO 1996, Runiewicz 1994, 1995, Seringhaus and Rosson 1990a, 1991a, Wilkinson and Brouthers 1995). The aims of these studies have been to assess the impact of EPPs on participating firms and public policies. Another area of the literature on export marketing has been concerned with export performance models (Aaby and Slater 1989, Katsikeas et al. 1996, Yeoh and Jeong 1995). These models identified various variables influencing export performance.

These two research areas, although extensive, have opened up opportunities for further investigations. EPPs evaluation studies have often drawn conclusions from investigations covering a range of different services. Few studies have singled out individual EPPs and researched them in detail, except for the work carried out on trade fairs (Blythe 1996, Pfeiffer et al. 1998, Shipley et al. 1993) and a very few studies on trade missions (Seringhaus 1984, Seringhaus and Rosson 1990d). EPPs evaluation studies have tended to be cross-sectional, i.e. they have seldom taken into account the time it takes for EPPs impact to be felt at the firm and the country level. Moreover, the evaluation of some individual EPPs, such as TMs, has received little attention from researchers. Although TMs have been part of the EPPs offered by most governments, TM participation as a strategy for international trade promotion has not been widely researched.

Few export performance models have taken EPPs into account as variables that may influence export performance. The process through which EPPs influence export performance has not been investigated in detail. There is, therefore, a need for the following considerations to be taken into account in a new research design:

- An evaluation of EPPs on an individual basis;
- A longitudinal design taking into account the time lag between EPPs implementation and their impacts;

- The need to evaluate TMs due to their widespread use across countries and the limited investigation to which they have been subjected;
- A detailed investigation into the TM process, the development of measures of TM outcomes, and the assessment of their success; and
- The impact of TMs on export performance.

The identification of gaps in previous studies led to the formulation of research questions, objectives and hypotheses for the present study.

9.1.2 Research Questions, Objectives and Hypotheses

The focus of this thesis was to evaluate the impact of TMs over time on export performance. More specifically it answered the two following research questions:

- What are the key factors that contribute to TM outcomes and export performance following participation in TMs?
- Do TMs add value over time to the overseas market entry process provided the TM process prioritises the acquisition of experiential knowledge?

To answer these research questions, three major research objectives were set up:

- To establish the relationship between TM participation, firms' structural and knowledge characteristics, and country characteristics on TM outcomes;
- To evaluate the extent to which TM outcomes and follow-up activities impact on export performance over time; and
- To examine the influence of the previous acquisition of country specific experiential knowledge on firms' behaviour, TM outcomes and export performance.

The following hypotheses were put forward:

- H₁: Firm's knowledge characteristics are more influential than firm's structural characteristics in predicting TM outcomes.

- H₂: Firm's knowledge characteristics are more influential than market characteristics in predicting TM outcomes.
- H₃: TM participation and follow-up activities over time are instrumental in enhancing export performance.

The result of the test of the hypotheses is illustrated in the following section by a model of buyer-seller relationship-building in an international context (Figure 9-1).

9.2 BUYER-SELLER RELATIONSHIP BUILDING IN AN INTERNATIONAL CONTEXT

9.2.1 Variables Influencing TM Outcomes and Export Performance

The first objective of this study was to identify the predictor variables to TM outcomes and export performance. As hypothesised, the findings revealed that the variables measuring firms' knowledge characteristics had a significant influence on the measures of TM outcomes related to relationship-building (i.e. leads, contacts, agents). These variables also influenced the more tangible measures of TM outcomes and export performance, i.e. quotes and sales.

Firms' structural characteristics were associated with two of the measures of TM outcomes and export performance, i.e. quotes and sales. This may imply that, as the business relationship develops, the buying and selling decision-making processes become more rational. In other words, trust develops first based on the personal characteristics of the individuals involved in the negotiation (Ford 1997). As commitment between the partners increases, tangible evidence to confirm the longevity of the relationship (i.e. firms' size, firms' export orientation) becomes necessary.

The groups of variables measuring firms' structural and knowledge characteristics are now interpreted in more detail.

9.2.1.1 General Export Knowledge Acquired Through Export Diversification

General export knowledge acquired through export diversification, export experience, export structure, and proficiency in foreign languages influenced both the relationship-building and performance measures of the model. Firms that had actively diversified

their export markets and that benefited from managers' language skills displayed a more pro-active behaviour when searching for new international opportunities. As a consequence, these firms may have been more efficient during the trade missions, which resulted in additional TM outcomes. The negative relationship between export experience and export department (when associated to all the measures of TM outcomes) may indicate that the firms' and the managers' attitude are more instrumental than the length of export involvement or the way the firm is structured for export when it comes to achieving positive tangible results from TM participation.

Language proficiency (which does not necessarily imply proficiency in the language of the market visited) was also a measure of general export knowledge. Language proficiency positively influenced *sales*. Foreign language education brings an awareness of foreign cultures as well as greater exposure towards cultural differences and how to deal with them. As a consequence, executives with some knowledge of foreign languages may be perceived as more understanding and eventually obtain sales more easily (Swift 1990).

These findings, relevant to the acquisition of general export knowledge, are consistent with past research as illustrated in Figure 2-1. They support the fact that general export knowledge provides the basis from which further international activities may benefit through knowledge transfer (Eriksson et al. 1997, Johanson and Vahlne 1977).

9.2.1.2 Objective Knowledge Acquisition Prior to the TMs

Objective knowledge acquired about the market before the TMs influenced all the relationship-building and performance measures except *agents*. More specifically, *leads* and *sales* were likely to be facilitated during the TMs when meetings were arranged prior to the TMs. Another variable from the objective knowledge group (i.e. adapting the marketing mix before the TMs) also influenced the acquisition of sales during the TMs. This adaptation of the marketing mix may be no more than selecting from the firms' range of products or services those most adapted to customers' needs and the level of development of the country. Knowledge of the market language positively influenced the acquisition of quotes during the TMs. This was supported by previous findings from other research (Enderwick and Akoorie 1994, Swift 1990) implying that knowledge of

the market language is linked to a better understanding of the way business is conducted in the country, and therefore leads to greater success. Foreign language proficiency facilitates communication and socialisation and has been described as 'the oxygen which allows an outsider to explore the undersea culture of a new and foreign environment' (Swift 1990, p. 26).

This group of variables measuring firms' objective knowledge acquisition prior to the TMs demonstrated the importance of showing interest in the target markets and committing resources to it, even before the full potential of the market can be assessed. Showing commitment and committing resources can be perceived by foreign business partners as a genuine will to proceed with more tangible transactions.

9.2.1.3 Experiential Knowledge Generated Prior to the TMs

The overall model of TM outcomes and export performance was not influenced by the variables measuring experiential knowledge. However, experiential knowledge influences firms' behaviour, TM outcomes and export performance when these variables are used as discriminating factors among the two groups of participating firms, NTMs and EXPs. This is demonstrated in Chapter 7. These findings imply that, whatever the SMEs' structural characteristics as well as general and objective knowledge characteristics, firms' previous experience with the markets influences both TM outcomes and export performance. The findings in Chapters 7 and 8 also demonstrate the gradual process of relationship-building that took place through TM participation and follow-up activities.

9.2.1.4 Firms' Structural Characteristics

The group of variables firm's structural characteristics influenced the acquisition of *quotes* and *sales* during the TMs. This implies that firm's size, when measured in terms of turnover and number of employees, has an impact on the more tangible measures of TM outcomes *quotes* and export performance *sales*.

These findings contradict previous studies that demonstrated that firms' size did not have an impact on export performance (Czinkota and Johnson 1983, Culpán 1989). However, this discrepancy could be explained by the very context of the present research; firms

tend to use TMs in the early stages of foreign market involvement. In this TM context, the factors that foreign business partners use to evaluate UK exporters have to be objective (e.g. size, turnover) and readily available from any local or international sources as experience between the partners is still limited.

9.2.1.5 TM Participation

TM subsidy influences *quotes* negatively, which was unexpected. Larger subsidies are generally related to more distant countries. In the context of this study, the larger subsidies were offered for countries in Latin America. These countries being high context culture, business relationships follow a lengthy courting stage during which trust is being developed. It is only after this time consuming process that quotes may be requested (Hollensen 1998). This highlights the importance of looking at export performance over time when evaluating EPPs. The next section precisely looks at the impact of lag time on export performance.

9.2.2 Impact of Lag Time on Export Performance

The findings related to the impact of lag time on export performance indicate that there is an evolution in the factors that influence sales over the three periods (0 to 6 months, 6 to 12 months, and 12 to 24 months).

9.2.2.1 Six months after TMs

The perceived competence acquired during the TMs and reported six months after the TMs was influenced by the contacts established during the TMs (as shown in Section 8.2.2). Although the variable *contacts* explained only 10 per cent of the variance in the acquired competence, it supports previous findings that showed the importance of being physically present in the markets (Axelsson et al. 1992, Denis and Depelteau 1985, Turnbull 1990). As one respondent explained, TMs provide “real contacts, face-to-face. We see people on the way they work. There is no substitute for going there.” Therefore, the experiential knowledge gained through the TMs developed firms’ competence in the targeted markets in the first six months as seen in Figure 9-1.

The sales obtained six months after the TMs were influenced by the follow-up conducted with customers. The findings show that some of the exporting SMEs have already had an established business relationship with customers or agents in the markets. The firms' presence in the countries, in addition to the follow-up conducted, could have been the positive stimuli that triggered sales rapidly. These findings show the importance of business travel in generating tangible export outcomes from foreign markets.

9.2.2.2 Twelve Months after TMs

Sales obtained 6 to 12 months after the TMs were predicted by: (1) the agents appointed in the previous periods; (2) the sales obtained in the previous periods; and (3) the competence acquired during the TMs. The agents who were appointed during the TMs or in the first period began generating sales in the six to twelve months following the TMs. These outcomes were likely to be influenced by regular contacts with the agents, which in turn resulted in increased commitment and sales.

Previous sales in the market also led to an increase in sales in period 2. This increase in sales is due both to greater market penetration in terms of the number of firms obtaining sales and the average amount of sales per customer. Findings show that sales increased by 160 per cent (Table 7-13) between period 1 and 2 and the percentage of firms obtaining sales increased from 50 per cent to 60 per cent during the same time (Table 7-14). These results illustrate that a larger number of firms have been accepted within local networks. Positive reactions to stimuli between business partners over the previous twelve months increased trust and commitment and resulted in some tangible measure of performance (Håkansson and Snehota 1989).

Furthermore, by the end of period 2, firms had time to 'internalise' the experience acquired during the TMs. As a consequence, they became more efficient in the markets. This 'internalisation' could explain the influence of acquired competence on the sales obtained up to 12 months after the TMs.

9.2.2.3 Twenty-four Months after TMs

The sales obtained in the markets in period 3 (12 to 24 months after the TMs) were influenced by additional visits paid to the markets and by the contacts and sales acquired

in the previous periods. This demonstrates that maintaining the momentum in the business flow from foreign countries is enhanced by personal visits as well as by keeping the dialogue open with various business persons in the market, as already demonstrated by Axelsson et al. (1992) and Style and Ambler (1997). Maintaining good relationships with the business partners also increases the mutual commitment of the partners as suggested by Campbell (1985), Davis (1995), and Wilson and Mummalaneni (1990).

The dynamics of the process as explained in Section 9.2.2 is illustrated in Figure 9-1. From this figure, the following conclusions can be drawn:

1. A diversification strategy in terms of export markets benefits future expansion into new foreign markets. Executives learn from diverse cultural experience and increase their ability to adapt faster and more efficiently to new environments. Therefore, executives dealing with international business development should be open-minded, have the desire to learn, and be conversant in foreign languages, as outlined by some of the significant variables in the model. These executives should also work for firms where an international culture predominates. This would allow for both the executives personal goals and the business corporate objectives to be enhanced.
2. Specific knowledge about the targeted markets should be acquired prior to participating in the trade missions. This knowledge would contribute to showing an understanding of the foreign customers' requirements and ways of doing business. As a consequence, a preliminary offer that includes a relevant range of products or services for the countries' economic and cultural environments should be presented during the visit.
3. Communication with potential business partners should be established prior to participating in the trade missions and meetings arranged ahead of time. This would allow the travelling executives to maximise their time whilst in the country. It would show deference for the business partner's use of time. These actions could also be perceived as commitment to conducting business in the country and help start the relationship-building process on a positive note.

4. The business relationships established before and during the trade missions should be cultivated through regular contacts using not only communication technology but also regular visits. This would again show commitment to the market and deepen the executives' understanding of business practices in the country.

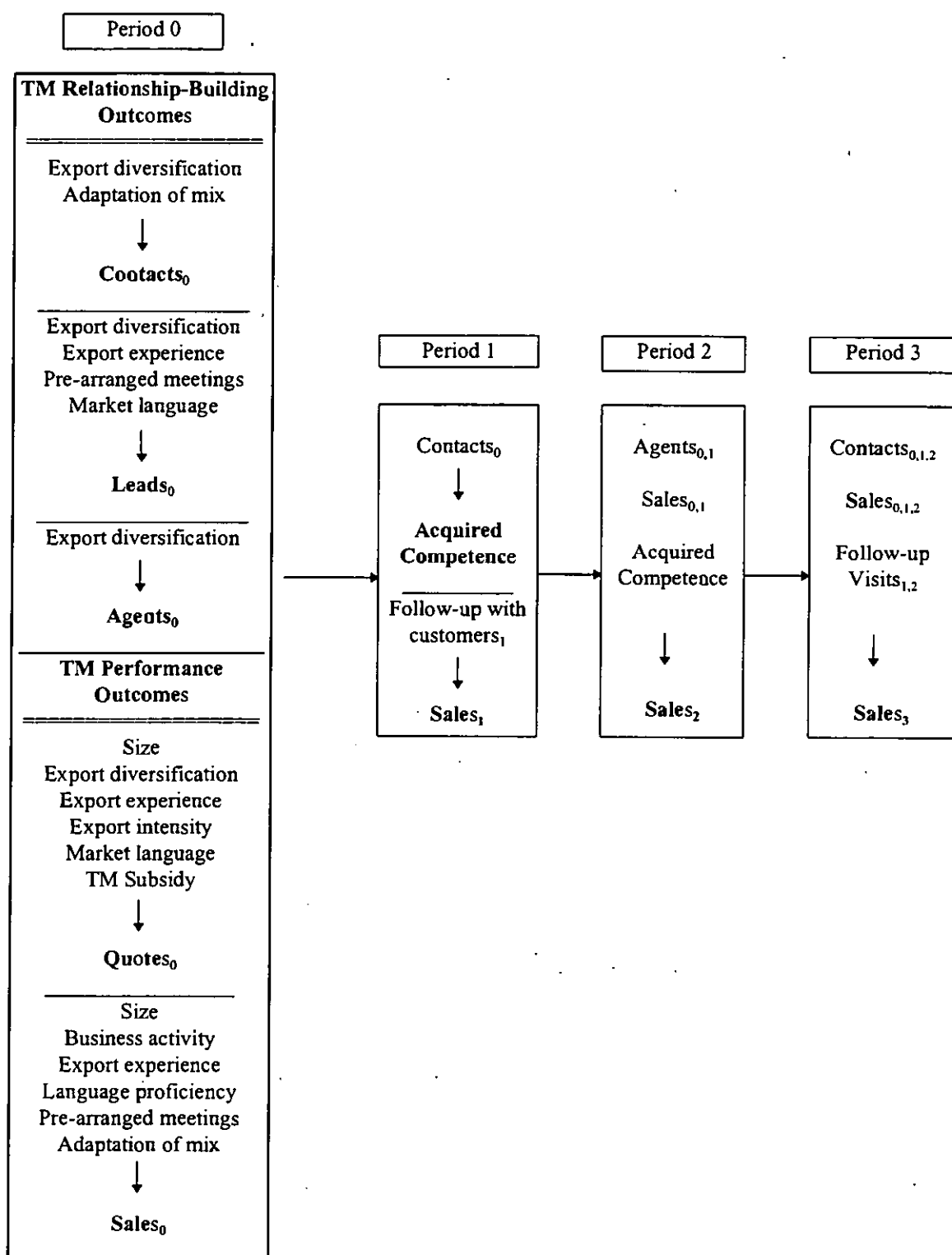


Figure 9 - 1: Model of Predictor Variables to TM Outcomes and Export Performance Over Time

9.2.3 The Role of TMs in the Acquisition of Experiential Knowledge

Both groups of firms investigated (the new-to-the-market exporters (NTMs) and the more experienced exporters (EXPs)) had similar structural and knowledge characteristics. The only major difference was in the experiential knowledge both types of firms had previously acquired about the markets as explained in Section 6.1.3. Both groups put the same amount of effort into preparatory activities before the trade missions.

Trade missions encouraged NTMs to explore new countries, which met the objectives of the scheme as stated by the DTI (DTI 1996): 42 per cent of NTMs would not have visited the markets targeted by the trade missions if trade missions had not been available for these destinations. NTMs would also have been more likely to participate in trade missions than EXPs even if the programme did not offer subsidies. This may imply that other features of trade missions such as administrative arrangements and facilitating contacts are important to NTMs. As suggested by Simpson and Kujawa (1974) and Gray (1997), trade missions acted as a positive stimulus that decreased the perceived barriers to export and stimulated the export decision to specific countries.

NTMs perceive trade missions to be a catalyst of experiential knowledge. The added-value of trade missions for NTMs comes from the competence and skills that trade missions help to develop within this group of firms. As such, these findings confirm Seringhaus' (1989) and position trade missions as 'a learning experience in export marketing'. Overall, NTMs rated the skills and competence acquired during the TMs higher than EXPs. More specifically, NTMs acquired process skills (see Section 7.2.5): they developed a systematic approach to enter new foreign markets which increased their efficiency. NTMs felt that trade missions helped them generate business quicker from these markets than if they had visited the countries on their own. It would appear that these process skills increase the general pool of export knowledge already acquired by the respondents and can be transferred to future market entries (Eriksson et al. 1997).

TMs were also valued, especially by NTMs, for their role in reducing the administrative burden of organising foreign travel. This can be explained by the fact that the majority of respondents were SMEs and these firms generally function with scarce resources (Holt

1992, Ibrahim and Ellis 1990). Arrangements concerning visas, flights, hotel reservations were the responsibility of the LCCI. Therefore, the administrative support provided freed some of the firms' valuable resources.

An added-value derived from trade missions for EXPs was the increased visibility provided by the British identity of the group. Travelling as part of an official British delegation added prestige and credibility to their visits. EXPs felt that the positive country image projected by the UK could be used to facilitate contacts in the target markets. Support from group members was also a benefit identified by EXPs: sharing information about their daily experiences in the markets increased both learning and motivation among the trade mission participants.

The organisation of trade missions was highly rated by both groups. Again, NTMs were more satisfied with the scheme than EXPs. The statistically significant differences pointed to the relevance of the activities for both groups: the pre-departure briefing meeting organised by the LCCI and the activities offered in the market by the local embassy staff seemed to be more appropriate to NTMs. These activities, which aim to give an understanding of the market and to provide a forum to facilitate contacts, are less relevant to EXPs who may have already gained this experience through previous visits.

Although both groups value overseas trade missions as an efficient export promotional tool (the majority of the respondents will use trade missions in the future), they do not believe that using a trade mission for their next visit in the same market would be appropriate. This could be a consequence of the trade mission process itself, in that the participants' relationship with the market has developed further than expected and the nurturing from a trade mission environment is no longer necessary. This response could also be caused by the restrictions imposed to participants in terms of the number of days spent in the markets and the attendance at official functions. The flexibility of an independent follow-up visit may be more valuable to the firm than the subsidy and administrative support provided by a trade mission.

As expected, the objectives for participating in the trade missions differed between NTMs and EXPs. Although sales are a medium to long-term goal for both groups, the

major objective for NTMs was to establish a network of contacts to win support for future sales. EXPs, however, aimed to strengthen as well as expanding their networks.

The difference in objectives between the two groups had an impact on firms' behaviour after the trade missions took place. The NTMs kept close telephone contacts with their newly appointed agents, probably to provide them with additional information and to motivate them. EXPs tended to deal with customers' requests more than NTMs, although there were no statistically significant differences between the two groups. Each group adapted their follow-up strategies to fit the appropriate stages in the established relationships.

Six months after the trade missions, NTMs perceived the need for additional business visits, probably to increase their understanding of the market and to strengthen the relationships already established. They also felt that their promotional material was not always completely relevant, and that some adaptation was necessary. It would appear the additional experiential knowledge EXPs had acquired led them to believe that the adaptation they had already carried out was sufficient to respond to the needs of the market at this stage. Of primary importance was the adaptation of their prices to the market, which they felt they had done to a satisfactory degree.

Findings from Section 7.2 gave a clear picture of the role of trade missions for NTMs and EXPs. New-to-the-market exporters used trade missions to:

- Establish market presence through agents;
- Gain access to business networks; and
- Obtain an understanding of the functioning of the market.

For exporters who have already visited the market, trade missions are a means to:

- Expand the span of their activities in the market to new networks;
- Strengthen their presence in previously established networks.

This could be summarised as 'establishing a position' for NTMs and 'strengthening a position' for EXPs, based on the experiential knowledge acquired and the trust generated (Figure 9-2).

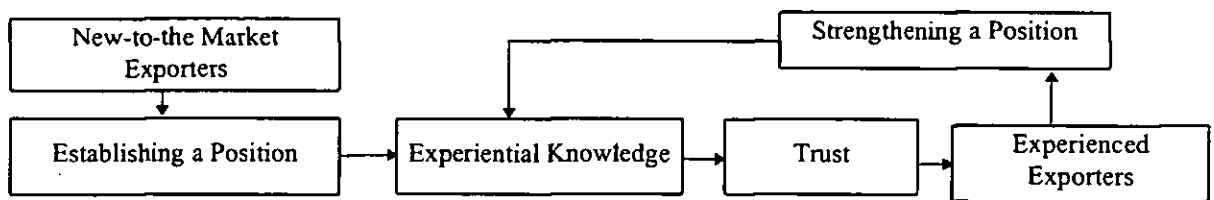


Figure 9 - 2: From New to the Market to Experienced Exporters

9.3 RESEARCH CONTRIBUTIONS

This study contributed to a better understanding of EPPs evaluation, SMEs' export behaviour, and buyer-seller relationships in an international context both in its methodological and theoretical approach.

9.3.1.1 Methodological Contributions

The study identified trade missions as an export promotion programme which has been overlooked in the empirical export literature. Seringhaus (1984, 1990d) set the methodological and theoretical basis in the study of TMs as an export promotion tool. His work contributed to a better understanding of the role and impact of TMs in export marketing by comparing market entry performance between exporters using TMs, exporters not using TMs, and non-exporters (Seringhaus 1984). Seringhaus' study (1990d) compared trade fairs and trade missions and addressed the issues of programme impact and programme targeting. There has since been a void in the study of TMs that this investigation is addressing.

The present thesis predicted conditions and scenarios that would enhance TM impact. Managers could learn from these findings by adopting the appropriate tactics that would improve their market entry performance. The study also evaluated the impact of TM over time. As such, it scrutinised the activities, performance, and learning experience gained by two groups of exporting SMEs featuring different experiential knowledge about the targeted markets. These latter results have an impact on public organisations by providing a better understanding of the TM process and therefore helping in developing more targeted programmes.

The major methodological contribution of this study was therefore to thoroughly investigate a single export promotion programme which has been ignored in the past, overseas trade missions, and to shed new light on their role and impact on new foreign market entries for SMEs.

Various authors stressed the weaknesses of cross-sectional design when evaluating government programmes (Diamantopoulos et al. 1993, Hibbert 1990, Nyberg 1987, Seringhaus 1986). In order to fulfill the research objectives and to overcome some of the shortcomings of previous studies, TMs were investigated with a longitudinal design. The rationale for such a design is that firms need time to 'internalise' the experience gained from government programmes and translate this experience into positive actions to improve their conditions and obtain tangible results as suggested by Hibbert (1990) and demonstrated in this study.

This research also contributed to the development of quantitative measures of TM impact. TM impact was operationalised as the activities that occur during the event and that can be quantified. The selected variables were *leads*, *contacts*, *quotes* generated and *agents* appointed during the TMs. These variables featured a natural progression from relationship-building activities to obtaining tangible export outcomes. Changes in the values of these variables were monitored over a 24-month period. Findings demonstrated that these measures were valid measures of TM success as they decreased over the 24 months investigated, while sales increased in the same period.

9.3.1.2 Contributions to Knowledge

The study resulted in the development of a dynamic model of TM outcomes and export performance over time (Figure 9-1). A second model was also developed to explain the relationship-building dynamics between buyers and sellers in an international context (Figure 9-2). These two models can be aggregated further by looking at the processes needed for firms to acquire the relevant knowledge and improve their market entry performance (Figure 9-3).

Findings of this research illustrate that SMEs' pre-existing conditions in terms of size and general export knowledge have a significant influence on all the measures of TM

relationship-building outcomes (contacts, leads, agents) and TM performance outcomes (quotes and sales). The findings also stress the influence of the lateral transfer of export knowledge between countries coupled with the acquisition of country specific knowledge on the enhancement of relationship-building activities during the TMs. During the TMs themselves, exporters gain a wealth of information on business and social etiquette as well as the types and locations of influential contacts (Pechter 1992). It is through this acquisition of experiential knowledge that firms can begin to develop strategies for the market. The aggregation and combination of the three types of export knowledge, general, objective and experiential, help firms design more accurate market entry strategies. The model points toward the implementation of processes after the TMs to develop the relationships established during the TMs and move toward increased trust and commitment between business partners in order to achieve the ultimate goal: sales. Firms can now learn from their new experience to improve their efficiency in other export markets. This model confirms findings by Seringhaus (1990) and Johanson and Vahlne (1977). The stock of export knowledge accumulated from past experience is necessary but not sufficient to insure a successful foreign market entry. General export knowledge has to be complemented with thorough preparation and practical experience in the targeted market as each country has its own characteristics.

The dynamics of the market entry process were also captured by comparing and contrasting the activities and performance achieved by the two groups of participating firms: those that had already visited the markets targeted by the TMs and those that had not. This detailed analysis of the activities performed by both groups of participating firms before, during and after TMs led to a thorough understanding of the role of TMs in the acquisition of experiential knowledge and the building of business relationships across borders.

Finally, the model implied the existence of a causal relationship between TM participation and export performance. TMs act as a 'market entry facilitator' (Seringhaus 1989) through the experiential knowledge SMEs can acquire. TMs also contribute to the generation of incremental sales in the markets by enhancing the relationship-building process between business partners.

This process of knowledge transfer, acquisition, 'internalisation', and application is illustrated in the following figure (Figure 9-3).

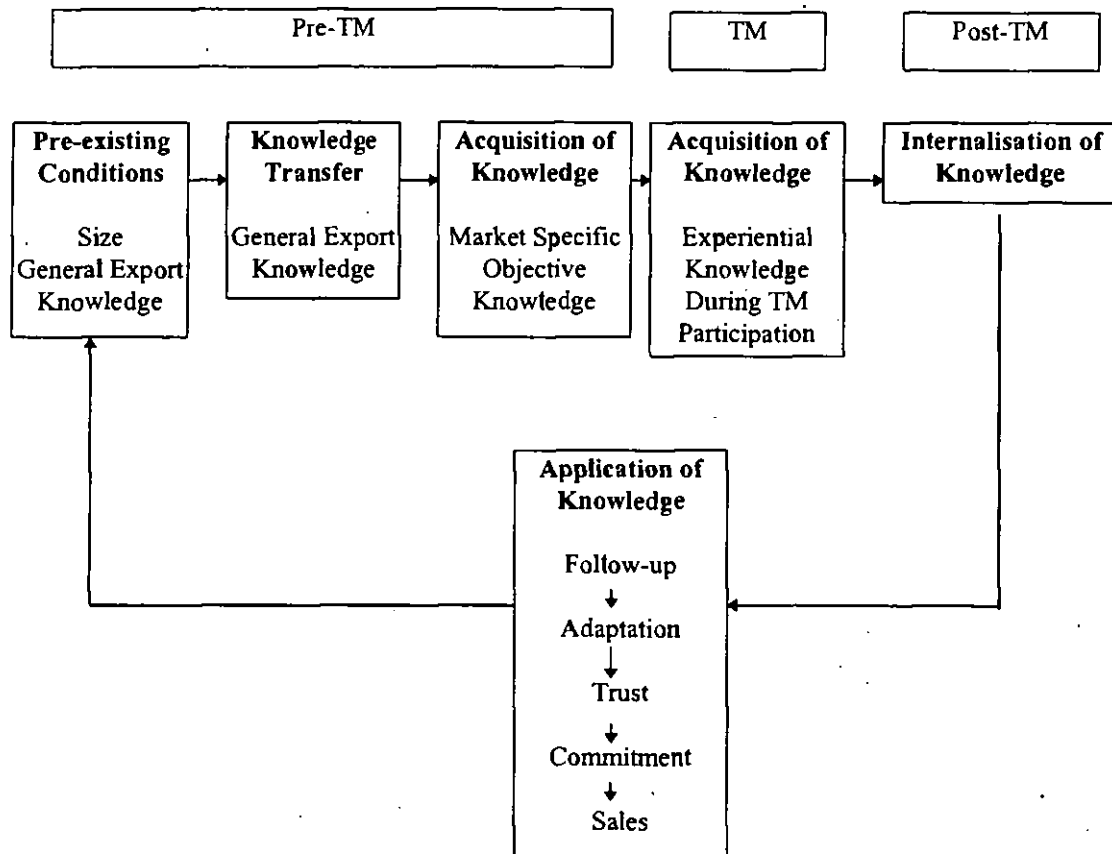


Figure 9 - 3: The Development of Export Knowledge Through TM Participation

The model developed in this study shows the existence of interrelationships between various significant variables in the context of TM participation and illustrates the impact of the TM process on export performance. More specifically for example, the impact of size on export performance has been debated (Aaby and Slater 1989, Miesenbock 1990). However, the findings demonstrate that size plays a part in increasing firms' credibility and seems to facilitate commitment toward more tangible outcomes. Whether this implies that small firms should not venture into foreign markets has been disproved (Naidu and Prasad 1994). Taking a more holistic approach, size could be an evidence of stability. Stability, as a subset of trust, could be experienced with other factors such as

commitment through adaptation: "One important way of showing commitment is by adapting to the other." (Hallén 1991, p. 31).

This study also contributes, therefore, to highlight the complexity of the market entry process and the interrelationships between the variables. This may imply that beyond the quantification of carefully selected variables and the rigorous test of hypotheses, strong cognitive forces are instrumental in the development and success of market entry strategies. These last comments will be expanded further in Section 9.6 which deals with limitations of the study and opportunities for further research.

The various contributions of this study have implications for management and the public sector as developed in Sections 9.4 and 9.5.

9.4 IMPLICATIONS FOR MANAGEMENT

9.4.1 Knowledge Acquisition and Transfer

9.4.1.1 Acquisition of Relevant Export Knowledge

SMEs regard the quality of the information acquired about foreign markets as being linked to its relevance to the situation at hand. This information is often acquired from the entrepreneurs' social network (Holmlund and Knock 1998), which is consistent with the 'naturalistic' methods used by entrepreneurs to collect and analyse information (Carson and Coviello 1996). Entrepreneurs should, therefore, encourage the sharing of proven methods of international information collection and analysis within the firm and with other firms belonging to their networks, however unconventional these methods may be perceived. For example, one of the executives interviewed contacted the head offices of his firm's clients in the UK to find out whether the subsidiaries in the target markets could be involved in projects requiring the use of the products intended for export in these markets. Another executive contacted distributors of complementary products to his own in the target markets and asked to accompany them on their visits to customers.

9.4.1.2 Use of Cultural Knowledge

Showing an understanding of the market and of customers' needs is the basis of marketing. In international marketing, however, no decisions should be made without having acquired cultural insights about the countries in which business is being conducted, as confirmed by this study. Acquiring objective knowledge about the market prior to the trade missions is instrumental in presenting an appropriate range of products together with promotional material to which potential customers can easily relate. It also shows commitment to the market. Furthermore, arranging meetings with potential business partners before the event is of the utmost importance to start the relationship-building process. In other words, the success of trade mission participation implies that thorough and targeted research should be conducted prior to the event.

9.4.1.3 Knowledge Transfer

This study demonstrated that SMEs following an export diversification strategy are more likely to succeed in their future international business expansion. Firms learn from past experience and apply this knowledge to modify their operations and become more efficient in new related situations (Cavusgil and Zou 1994). Therefore, there is a need for co-operation and communication within firms. Relevant export knowledge (based on experience) should be circulated internally to increase the likelihood of success of future international ventures. This could be achieved with the formalisation of proven methods through procedures and guidelines. These procedures and guidelines should, however, remain flexible and evolve over time to reflect changing circumstances as suggested by Caruana, Morris and Vella (1998).

9.4.2 Strategy Development

9.4.2.1 Role of Trade Missions in SMEs' International Trade Promotion Plan

Trade missions should be considered as a regular component of the firms' export marketing plan, given the impact of trade mission participation on knowledge acquisition, relationship-building between foreign buyers and sellers as well as sales. Consequently, visiting the market through trade missions should not be considered as a one-off event. However, the use of trade missions should be carefully targeted at new

foreign market entries and to facilitate the implementation of strategies in the early stages of market development. Due to the importance of face-to-face interactions with foreign business partners, follow-up visits, even if not subsidised, should be included in the market expansion strategies of targeted countries.

However, these findings should not preclude the use of technology to confirm firms' presence in international markets. Regular contacts with foreign partners with conventional means of communication should be kept.

9.4.2.2 Training for Global Reach

The findings also pointed to the fact that the firms' and the managers' attitudes are instrumental in developing long-lasting business relationships in foreign markets. As a consequence, SMEs with international ambition should acquire internationally-minded managers who have the ability to learn and to adapt easily to various cultural environments. Non-travelling staff should also adopt an export-oriented attitude in order to facilitate the day-to-day management of international operations. Cross-cultural training should be made available to all staff involved in overseas business. Cultural insights not only stress the differences between nations, but also emphasise the similarities. These could lead SMEs to a more rational product and market development strategy by concentrating on countries with similar values, therefore maximising the use of their scarce resources.

The study also outlines the importance of the use of foreign language specialists when the executives' tasks involve business development in foreign countries. This may imply that a greater understanding of the business partners and the needs of the market is achieved with foreign language skills; which supports previous studies (Swift 1990). As a consequence, SMEs should put more emphasis on the acquisition or the development of language skills by their employees, especially when these are involved in the expansion of international business.

In summary, exporters should develop or acquire a range of skills to improve their performance in a global environment: develop an export-oriented attitude, gain cross-cultural insights through training and experience in various foreign countries, develop

language skills, become acquainted with the strategic use of technology, and build in systems to transfer existing and newly acquired knowledge between a number of departments within the firm. Successful exporting SMEs are learning organisations where knowledge flows freely and the implementation of this knowledge to new strategic developments is perceived as a competitive advantage.

Public policies could play a part in facilitating the acquisition of relevant knowledge and developing the appropriate skills as explained in the following section.

9.5 IMPLICATIONS FOR PUBLIC POLICIES

9.5.1 Training Needs

9.5.1.1 Training Needs for Non-Exporters

The results of this study demonstrated that past general export knowledge had a significant positive impact on all the measures of TM outcomes and export performance selected. Although TMs facilitate market entry, they do not seem to attract non-exporters. Only six of the respondents qualified in this category. This confirms previous studies that demonstrated that EPPs' awareness among non-exporters is particularly low (Moini 1998). Public policies should therefore encourage non-exporters to venture into foreign markets through appropriate programmes that would reduce perceived barriers to export. Closer relationships between government agencies and SMEs should therefore be established.

A combination of private consultancy and collective training could maximise the efficiency of such programmes and the use of public funds. Private consultancy would be necessary to assess the specific needs of SMEs and understand their limited markets. Collective training could then be used to provide general basic export knowledge that all firms should acquire. These programmes should target groups of ten to fifteen non-exporters over a twelve to eighteen months period. The emphasis of such programmes should be on the following:

1. Establishing the firm's export capability with the help of a government official experienced in export or a private consultant whose fees could be subsidised;
2. Providing general training on export procedures, sources of information for export, export marketing and management to the group of firms with the aim of entering a psychologically and geographically close market. This training could be organised by educational institutions with proven track records in export research and teaching;
3. Following-up on the application of the general and objective knowledge gained to specific firm's situations by the consultant;
4. Organising a trade mission to a psychologically and geographically close market for the group of firms where experiential knowledge could be acquired;
5. Evaluating the impact of the programme on firm's inclination and propensity to export.

Such programmes could overcome the 'fear of the unknown' among non-exporters by combining hands-on assistance targeted to the firms' needs and collective training where exchanges of ideas, synergy, and stimulation is facilitated.

Colleges and universities in the UK could stimulate the creation of future exporters by putting more emphasis on international education, student exchanges and language training. It was demonstrated that executives in successful exporting firms were more highly educated than those in non-exporting or less successful exporting firms (Cheong and Chong 1988, Keng and Jiuan 1989, Moini 1998, Reid 1981).

9.5.1.2 Training Needs for Expanding Exporters

Several studies demonstrated that the acquisition of foreign languages would enhance export performance (Enderwick and Akoorie 1994, Enderwick and Gray 1993, Swift 1990, Walters 1990). This may explain why the DTI offers a 'Languages in Export Advisory Scheme' to increase firms' awareness of the needs for foreign languages. However, no further subsidised scheme is provided to help firms fill the gap between their needs and how to fulfill them (see Section 3.2). Providing incentives to expand the

knowledge of foreign languages for exporters would also increase the awareness of foreign cultures and provide a better understanding of cultural differences. This would help SMEs to become more competitive as these firms tend not to make use of their competitive advantage, flexibility, when dealing with foreign markets (Crick and Katsikeas 1995, Seifert and Ford 1989). A more thorough understanding of foreign cultures could lead to the development of products and services which would better fulfill foreign customers' needs and the implementation of more suitable strategies for overseas markets.

Exporters would therefore benefit from programmes designed in collaboration with colleges and universities and that would provide training in foreign languages, cross-cultural awareness and international negotiation. Such programmes should be offered as short courses or distance learning or they could be conducted off-campus by university faculty to take into account the international executives' travelling requirements. Sadler-Smith, Sargeant and Dawso (1998) warned that these courses should not offer generic solutions to a wide range of exporters, regardless of their size. Universities should be more sensitive to the different training needs of SMEs and larger organisations. As a consequence different courses should be designed to meet the specific learning style, attitudes and preferences of SMEs' owner/managers and executives in larger organisations.

9.5.2 Improved Programme Targeting

Previous studies have stressed the importance of targeting EPPs to firms' specific stages of international development (Crick 1995, Naidu and Rao 1993). In the present study, firms were in the early stages of market development in the countries investigated. The results demonstrated that more refined targeting should be used for trade missions. The amount of experiential knowledge firms had acquired prior to the TMs influenced their objectives as well as the activities they conducted in the market during and after the TMs. The DTI policy to group both new-to-the-market exporters and more experienced exporters in the same TMs is consistent with previous research (Seringhaus and Rosson 1990). This strategy also aims at encouraging group synergy as participants learn from each other.

However, TM efficiency could be improved by strengthening the partnership between SMEs and TM sponsors (Badrinath 1994). Taking into account the various levels of market specific experiential knowledge already acquired by participating firms would increase the level of service to the participants. TM organisers should offer differentiated activities that would be more relevant to each group of firms. For example, the briefing meetings, which are relevant to new-to-the-market exporters, could be organised so that more experienced exporters could benefit from up-to-date information on the country's latest political and economic developments in their specific industrial sector and do without more general information.

The findings also highlighted that only six respondents were non-exporters. Since it has been demonstrated that TMs are a 'foreign market entry facilitator', non-exporting SMEs with export potential should be encouraged to participate. However at present, these SMEs are not reached effectively by the communication messages sent by the DTI and the sponsors (Seringhaus and Rosson 1990a, Crick 1997). This study outlined a number of benefits that can be derived from TM participation. These benefits could be enhanced in a communication briefing used by the DTI and TM sponsors to target non-exporters.

Increasing TM efficiency also consists of providing TM participants with updated lists of potential business partners. This study demonstrated that arranging meetings with potential business partners influenced the generation of leads and sales during the TMs. Through its Export Representative Service (ERS) the DTI help identify potential representatives. Respondents considered this service as not always relevant or accurate enough for their use. They commented that the lists provided gave classifications of industrial sectors with characteristics which were too broad. As a consequence, several names on the lists were inappropriate to target buyers in their specific and often narrow industrial sectors, since the majority of the respondents were SMEs using a niche marketing strategy. Closer co-operation between the service providers and the recipients of the service could increase satisfaction and usage rate. The overseas posts could use a more pro-active approach not only find appropriate lists of potential contacts, but also to qualify these contacts according to some criteria specified by the participating firms.

9.5.3 Subsidising the TM Scheme

In light of increasing limitations of public funds, the question of whether TMs should be subsidised remains. Fifty per cent of NTMs would not use TMs if they were not subsidised against 65 per cent of EXPs. NTMs found the tangible benefits from TMs important (reducing the administrative burden, acquiring export process skills), while experienced exporters participate in TMs for more intangible returns (prestige, visibility, support from group members). Subsidies are therefore an incentive that encouraged approximately half the firms surveyed to participate in TMs and to benefit from the other features of the scheme as well. Although these findings are not conclusive, they most likely convey a social acceptability bias as respondents tend not to express negative opinions against programmes that offer financial incentives.

In Moini's study (1998), none of the financial incentive variables were statistically significant. More research in this area, especially qualitative research, would help uncovering the linkages between financial incentives and the use of government programmes.

9.6 POSSIBLE LIMITATIONS OF THE STUDY AND IMPLICATIONS FOR FURTHER RESEARCH

9.6.1 Research Design

One could argue that a study, the aim of which is to investigate the added-value brought by a specific government programme to export performance may have benefited from a qualitative design. As explained in Chapter 6, the end-result of the survey was to be the modelling of the significant variables explaining TM outcomes and export performance and was not to find the underlying reasons for participating firms' behaviour. As such, a quantitative approach was more appropriate. The researcher's background also influenced the choice of design. Now that a model has been suggested, further research should be conducted using a qualitative approach to uncover the hidden motives to participate in TMs and investigate in more depth the knowledge acquisition process.

Interviews with TM participants would give access to rich data related to firms' practice with the use of TMs in their export market entry process and could lead to the development of case studies. The ground was already prepared for such an investigation as respondents were asked whether they would agree to co-operate further in this research by allowing to be contacted for an interview. Seventy-six per cent answered positively. This encouraging response illustrates the respondents' interest in the study. However, the respondents who answered positively to an interview may be the most favourable toward TMs and may not give answers that are representative of the whole population of TM users. Alternatively, they may also be the most experienced at using TMs and would be able to judge the appropriate situations when TMs would be beneficial to market entry and when they would not. They could therefore present a wide range of scenarios one could learn from. This investigation could also be used to assess the developments that have taken place in the markets targeted by the TMs since the last data collection exercise.

The objectives for the interviews would be:

1. To understand the role of TMs in the exporters' export marketing plan;
2. To investigate which activities would be most inductive of learning before and during the TMs;
3. To assess the type, frequency and quality of the follow-up conducted after the TMs and their effects on outcomes;
4. To investigate the developments that took place in the markets targeted by the TMs since the last data collection and compare those with the predictions;
5. To investigate the process through which the experiential knowledge gained from TM participation is spread to the organisation and how this knowledge benefits future entries into new export markets; and
6. To understand the motivation brought by financial incentives towards the use of government programmes.

The purpose of the interviews would also be to highlight new variables that could have an impact on TM success and to operationalise the concept of export performance in a more precise way. These interviews could lead to the development of itemised scales concerning knowledge acquisition and diffusion.

The qualitative phase should lead the way to a large scale quantitative survey with a number of TM sponsors in the UK. Since methods for managing TMs may differ according to the institutions and the TM managers, repeating the study with other Chambers of Commerce and Trade Associations in the UK would allow meaningful comparisons.

As explained in Section 6.1, this study was conducted without a control group as an accurate control group would have been difficult to compile. Furthermore, authors have suggested that management actions are driven by perception of a situation based on imperfect information rather than by its objective characteristics (Katsikeas et al. 1996). Export executives were therefore better informed to appreciate the value of trade missions for their own firms when compared to individual visits than if such a comparison had been drawn from a quantitative analysis between two independent groups of firms. The added-value brought by trade mission participation was to gain a more thorough understanding of market characteristics and to lighten the administrative load.

The questionnaires included a number of ordinal scales to measure firms' size and export experience. These scales were favoured over continuous scales as they facilitate questionnaire completion and coding. The answers to these questions were then analysed using parametric tests as opposed to non-parametric tests. This approach, which is widely used by researchers and which is also suggested by Cox and Wermuth (1996) for recursive regressions, implies that the assumption of interval equivalence is respected. In this analysis, some of the findings from parametric tests were tested again using non-parametric tests. Both types of tests led to the same conclusions. Therefore, the use of parametric tests on non-parametric variables did not distort the results, as suggested by Cooper and Shindler (1998).

Most governments would evaluate their own programmes but would find little support in trying to benchmark their own activities against those offered in other countries. It is therefore up to academics to conduct comparative investigations of government programmes. The organisation and objectives of the TM scheme vary between countries to a certain extent. Comparing and contrasting the various methods used to organise TMs across a number of countries and evaluate their performance would contribute to the advancement of knowledge in this area.

Finally, the trade mission process would best be evaluated by having researchers participate in trade missions. This would provide qualitative insights into the activities performed in the field by participating executives. The attempt was made to try and be invited on a trade mission organised by the London Chamber of Commerce and Industry. However, a change in government prevented this to happen.

9.6.2 Sampling

The interpretation and generalisation of findings should take into account a number of limitations due to the characteristics of the sample of respondents. Although the research focused on SMEs, 17 larger firms were among the respondents. These large firms were represented in their UK by subsidiaries. However, the level of autonomy of these subsidiaries in term of policy development and budget control was not clear. It may be that these firms were faced with the same types of issues as professionally managed SMEs when expanding overseas. These firms were therefore included in the analysis (Table 7-2). The sample of respondents also included two firms who participated in two different trade missions each. Although the number of such incidences is low, this could result in a possible response bias.

A location bias is present in the sample as the number of respondents by region is not balanced. For example, almost one third of respondents were from South East Asia, one quarter from South and Central America, one fifth from the Mediterranean region, and the rest from Eastern Europe (13%) and Africa (12%) (Table 6-9). The relatively lower representation of respondents from West Africa suggests that participating firms were

likely to have experienced some difficulties in these markets and this may have biased the sample.

The relatively small number of firms participating in each TM (between 10 and 30) was the rationale for choosing a census approach to survey TM participants. A response rate of 67 per cent on the first questionnaire and 59 per cent on the second one was acceptable and in line with similar studies (Louter et al. 1991, Seringhaus 1996). It was also demonstrated through trend analysis in Section 6.5.4 that non-response error was minimal and should not have biased the results of the first survey.

Non-response analysis from the second questionnaire has outlined some significant differences between firms that responded and those that did not (Table 6-11). The respondents were more dependent on export and appointed a larger number of agents. This implies that the respondents to the second questionnaire were the most active firms in the markets investigated. Firms that did not take any further action in the markets were less likely to respond. The findings therefore, show more optimistic trends than if all the firms had responded.

As explained in Section 8.2.1, only those firms that obtained outcomes during the TMs were included in the first regression models. The findings therefore, determined predictor variables for those firms that have achieved tangible outcomes, which is a common procedure (Cox and Wermuth 1996). As seen in Chapter 7, some firms participated in the TMs to initiate or strengthen a relationship, and invested for the future. The suggested models are therefore restricting in terms of explaining the behaviour and performance of the whole sample. These behaviours and performance could be investigated in more detail through in-depth interviews as mentioned in Section 9.6.1.

This study was limited to the investigation of the TMs organised in the UK by one sponsor only (i.e. the LCCI) over a limited period of time (i.e. 1996). The choice of this sponsor was based on convenience and judgment. The LCCI being the larger Chamber of Commerce in the UK, it attracts members from a wide range of industrial sectors and geographical areas. A whole spectrum of UK exporters was therefore represented in the present investigation.

This study investigated 12 TMs out of the 18 TMs that were organised by the LCCI in 1996. Access to the six remaining TMs was not granted as these were subject to special arrangements with other Chambers of Commerce or Trade Associations. Whether these TMs would have had greater impact than the ones investigated remains to be answered. These TMs may have actually biased the sample as the collaboration with partner institutions in the targeted countries could have enhanced the TMs impact. The data for the present survey was collected from main stream TMs (i.e. horizontal TMs organised by the LCCI only), therefore making the results more generalisable.

9.6.3 Choice of Explanatory Variables

This study had to be limited in scope, particularly in terms of the selection of explanatory variables. In their review of the literature, Aaby and Slater (1989) determined that three broad categories of variables have an influence on export performance: firm characteristics (organisation size, management commitment, management perceptions), competencies (technology, export policy, planning and market knowledge, stage in the export adoption process, management systems, quality control, communication capability), and strategy (market selection, product and product line, pricing, promotion). Only these variables that were recognised as having the most influence on export performance were included in this study (Sections 5.3 and 6.3.2).

Other authors demonstrated that management international orientation gained, for example, from the managers' previous experience in the targeted markets (Philp 1998) was instrumental in enhancing export performance. As explained in Section 5.3.2, this study did not differentiate between firms' export experience and managers individual international experience. The executives participating in the TMs may have acquired previous experience in the targeted markets and this could have facilitated their market entry process. Thus, future studies should consider not only the market specific knowledge acquired by firms prior to the TMs, but also the knowledge gained by participating executives, either through their present or previous position or personal experience.

It was demonstrated that use of 'export services' is dependent upon SMEs size and sophistication as well as their growth in internal resources and external market, and the entrepreneur's personal growth (Hurmeninta-Petomäki and Nummela 1997). Although this study differentiated between first time and more experienced exporters to the targeted markets, it did not take into account the exporters' stages of development, an aspect which could be considered in future investigations.

Overlooking the effects of some explanatory variables because of the constraints imposed upon the survey may be the cause of relatively low adjusted multiple correlation coefficient, especially for the outcome *contacts* during the TMs and *acquired competence* six months later. This may therefore affect the interpretability of some of the results. Further research to develop new variables would be necessary.

Export performance was operationalised with multi-dimensional measures, namely sales, sales growth, orders, total turnover growth, market turnover growth, and market share growth. However, due to the scarcity of the data collected for some of the measures, a single construct of export performance had to be used: sales. Future research work should develop more comprehensive multi-dimensional constructs of export performance to investigate whether they would all react similarly to the models.

9.7 CONCLUSION

The purpose of this last chapter was to provide an overview of the research developed in this thesis, to stress its contribution to the field of the evaluation of overseas trade missions, and to discuss its limitations as well as opportunities for further research.

First the scope of the research was summarised. Then, the interpretation of findings concerning the role of trade missions in buyer-seller relationship building in an international context as well as the impact of trade mission participation on export performance was provided. It was concluded that trade missions are instrumental in the success of new foreign market entries as trade missions provide exporting SMEs with a deeper understanding of foreign markets' cultural and business requirements, enhance

the relationship-building process between UK exporters and their overseas customers and agents, and contribute to the generation of incremental sales in the targeted markets.

It was demonstrated that this thesis addressed a void in academic research linked with the evaluation of overseas trade missions. The major contribution of this study was the development of a model of predictor variables to trade mission outcomes and SMEs' export performance following trade mission participation. This model explained the interrelationship between significant variables that influence trade mission success and changes in trade patterns over time in targeted export markets. These significant variables point to the need of SMEs to learn from a diversified export strategy and apply the knowledge gained to new market entries. Trade mission participation is also enhanced by acquiring specific market knowledge, foreign language skills, and by keeping close contact with agents and customers through conventional means of communication as well as regular personal visits.

Management's implications of these findings led to the conclusion that successful exporting SMEs develop an export-oriented culture either by hiring internationally-minded managers and staff members for positions dealing with overseas business or by providing them with relevant training.

It was demonstrated that the public sector and educational institutions have a role to play in working in close cooperation with SMEs to develop managers with a global vision that will be able to function efficiently in the environment of the 21st century.

The major limitations of this study came from research and sampling design, which in turn opened up opportunities for further research.

As indicated, following-up on this survey with qualitative interviews would provide researchers with further insights into the use of TMs in new foreign market entries. The model proposed in this study could be refined by testing other variables that may influence TM outcomes such as managers' international orientation and exporters' stages of development. Finally, researchers and practitioners could learn from cross-country comparisons in TM organisation and performance.

APPENDIX

Questionnaires and Cover Letters

15 November 1996

Dear Sir,

The Centre for European Marketing in collaboration with the London Chamber of Commerce and Industry is conducting a research project to evaluate the impact of government support for international trade promotion in order to improve the effectiveness of government assistance to exporters.

As a recent participant in an overseas trade mission sponsored by the London Chamber of Commerce and Industry, information from your company about the event is central to this research.

Your cooperation in completing the attached questionnaire would be greatly appreciated. It will take approximately twenty minutes of your time. Some of the questions are concerned with tangible outcomes obtained during the mission; we would appreciate it if you could answer these as accurately as possible and return the questionnaire at your earliest convenience. In order to conduct a full evaluation of the mission, we will contact you again in the next six to nine months through a short questionnaire or a brief personal interview.

Please note that the questionnaires will be processed in their aggregate form only and no information about individual companies will be revealed to anyone. A summary report will be available in due course to respondents who will collaborate with the full survey.

Thanking you in advance for your cooperation,

Yours sincerely,

Martine Spence
Researcher
Centre for European Marketing

P.S.: Please note that this survey is part of my PhD thesis and your collaboration would be most appreciated.

Trade Mission to VENEZUELA AND COLOMBIA

Venezuela: 11-15 November 1996
Colombia: 18-22 November 1996

A. Your organisation: background information

Q1. How long ago was your firm established?

Less than 1 year	<input type="checkbox"/> 1	5 to 9 years	<input type="checkbox"/> 3	15 to 20 years	<input type="checkbox"/> 5
1 to 4 years	<input type="checkbox"/> 2	10 to 14 years	<input type="checkbox"/> 4	Over 20 years	<input type="checkbox"/> 6

Q2. How many employees does your firm presently have?

0 - 49	<input type="checkbox"/> 1	100 - 199	<input type="checkbox"/> 3	500 - 999	<input type="checkbox"/> 5
50 - 99	<input type="checkbox"/> 2	200 - 499	<input type="checkbox"/> 4	Over 1000	<input type="checkbox"/> 6

Q3. a) What was your firm's total annual turnover in 1995?

Less than £1M	<input type="checkbox"/> 1	£2.5M to less than £5M	<input type="checkbox"/> 3	£10M to less than £50M	<input type="checkbox"/> 5
£1M to less than £2.5M	<input type="checkbox"/> 2	£5M to less than £10M	<input type="checkbox"/> 4	Over 50M	<input type="checkbox"/> 6

b) How has your firm's total annual turnover changed in the past three years? If an increase or a decrease was experienced, please state the percentage change.

i) between 1994 and 1995?

Increase	<input type="checkbox"/> 1	_____ %
No change	<input type="checkbox"/> 2	
Decrease	<input type="checkbox"/> 3	_____ %

ii) between 1993 and 1994?

Increase	<input type="checkbox"/> 1	_____ %
No change	<input type="checkbox"/> 2	
Decrease	<input type="checkbox"/> 3	_____ %

Q4. a) To which industry sector does your firm belong?

b) Are you a:	Manufacturer	<input type="checkbox"/> 1	Distributor/wholesaler	<input type="checkbox"/> 3
	Retailer	<input type="checkbox"/> 2	Service company	<input type="checkbox"/> 4

Q5. What is your position?

Chairman	<input type="checkbox"/> 1	Export Manager	<input type="checkbox"/> 4	Other (please specify)	<input type="checkbox"/> 7
Vice-President	<input type="checkbox"/> 2	Marketing Manager	<input type="checkbox"/> 5		
Managing Director	<input type="checkbox"/> 3	Sales Manager	<input type="checkbox"/> 6		

- Q6. How fluent are you in the main language spoken in Venezuela and Colombia? As a native speaker 5 4 3 2 1 Not at all
- Q7. What is your fluency in foreign languages?
- | | | | | | | | |
|---------------------------------|---------------------|---|---|---|---|---|------------|
| 1. French | As a native speaker | 5 | 4 | 3 | 2 | 1 | Not at all |
| 2. German | | 5 | 4 | 3 | 2 | 1 | |
| 3. Spanish | | 5 | 4 | 3 | 2 | 1 | |
| 4. Italian | | 5 | 4 | 3 | 2 | 1 | |
| 5. Russian | | 5 | 4 | 3 | 2 | 1 | |
| 6. Japanese | | 5 | 4 | 3 | 2 | 1 | |
| 7. Mandarin | | 5 | 4 | 3 | 2 | 1 | |
| 8. Other (Please specify) _____ | | 5 | 4 | 3 | 2 | 1 | |

B. Your export activities

- Q8. a) Are you presently exporting to overseas markets? Yes ☐ 1 No ☐ 2
- b) If 'yes', how long have you been exporting for?
- 0 to 4 years ☐ 1 5 to 9 years ☐ 2 10 to 20 years ☐ 3 Over 20 years ☐ 4
- Q9. Do you have an export department? Yes ☐ 1 No ☐ 2
- Q10. a) What percentage of your turnover was generated by export sales in 1995?
- Less than 5% ☐ 1 10% to less than 25% ☐ 3 50% to less than 75% ☐ 5
 5% to less than 10% ☐ 2 25% to less than 50% ☐ 4 75% to less than 100% ☐ 6
- b) How has your export turnover changed in the past three years? If an increase or a decrease was experienced, please state the percentage change.
- | | | | |
|---|--|---|--|
| i) between 1994 and 1995? | | ii) between 1993 and 1994? | |
| Increase <input type="checkbox"/> 1 _____% | | Increase <input type="checkbox"/> 1 _____% | |
| No change <input type="checkbox"/> 2 _____% | | No change <input type="checkbox"/> 2 _____% | |
| Decrease <input type="checkbox"/> 3 _____% | | Decrease <input type="checkbox"/> 3 _____% | |
- Q11. How many of your employees are directly involved with exports?
- None ☐ 1 4 to 7 ☐ 3 11 to 15 ☐ 5
 1 to 3 ☐ 2 8 to 10 ☐ 4 Over 15 ☐ 6 (Please specify) _____ employees
- Q12. What was your budget for export promotion (i.e. above/below the line advertising, travelling) in 1995? £ _____
- Q13. To which of the following market areas have you exported in 1995? Please fill in the number of countries and the percentage each market area represents of your total value of exports (please refer to Appendix 1 to give a more accurate answer).

	Number of countries	% of total		Number of countries	% of total
Western Europe	_____	_____	North America	_____	_____
Eastern Europe	_____	_____	Australasia	_____	_____
Middle East and N. Africa	_____	_____	Pacific Rim and Japan	_____	_____
Rest of Africa	_____	_____	Other Asian countries	_____	_____
			Central and Latin America	_____	_____

Q14. To what extent was your company involved in the following activities in preparation for the trade mission to Venezuela and Colombia?

5 = Extremely involved

1 = Not involved at all

9 = Not applicable

	<i>Venezuela</i>						<i>Colombia</i>					
1. We gathered information from published sources about the country and our specific market	5	4	3	2	1	9	5	4	3	2	1	9
2. We studied the target market (s) culture and business customs	5	4	3	2	1	9	5	4	3	2	1	9
3. We arranged meetings with potential clients	5	4	3	2	1	9	5	4	3	2	1	9
4. We arranged meetings with potential partners/agents	5	4	3	2	1	9	5	4	3	2	1	9
5. We developed a marketing plan	5	4	3	2	1	9	5	4	3	2	1	9
6. We adapted the products/services	5	4	3	2	1	9	5	4	3	2	1	9
7. We translated our promotional material into the business language of the target market	5	4	3	2	1	9	5	4	3	2	1	9
8. We converted our price list/fees to the customers' preferred currency	5	4	3	2	1	9	5	4	3	2	1	9
9. We underwent language training	5	4	3	2	1	9	5	4	3	2	1	9

Q15. How would you rate the amount of resources your firm devotes to export markets (Please circle the appropriate number):

Financial resources	Totally adequate	5	4	3	2	1	Totally inadequate
Human resources	Totally adequate	5	4	3	2	1	Totally inadequate

C. *Export outcomes from overseas mission*

- Q16. a) Is it your first visit to Venezuela and Colombia?**
- | | | |
|------------------|--------------------------------|-------------------------------|
| <i>Venezuela</i> | Yes <input type="checkbox"/> 1 | No <input type="checkbox"/> 2 |
| <i>Colombia</i> | Yes <input type="checkbox"/> 1 | No <input type="checkbox"/> 2 |
- b) If 'no', how many times have you visited these markets in the past 2 years?**
- | | |
|------------------|-------------|
| <i>Venezuela</i> | _____ times |
| <i>Colombia</i> | _____ times |
- c) Prior to the present mission, how many subsidised or non-subsidised missions to Venezuela and Colombia have you already participated in?**
- | | | |
|------------------------|------------------|-----------------|
| | <i>Venezuela</i> | <i>Colombia</i> |
| Subsidised missions | _____ | _____ |
| Non-subsidised mission | _____ | _____ |

THE FOLLOWING QUESTIONS RELATE TO THE MISSION TO VENEZUELA AND COLOMBIA.

Q17. Are you using this mission to:

Venezuela

Colombia

- | | | |
|---------------------------------------|----------------------------|----------------------------|
| 1. Explore the market? | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 |
| 2. Break into the market? | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 |
| 3. Further establish market presence? | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 |

Q18. a) Did your firm already have contacts in the market prior to participating in the mission?

Venezuela

Colombia

Yes ☐ 1 No ☐ 2 Yes ☐ 1 No ☐ 2

b) If 'yes', what type of contacts were they? (Please tick all relevant entries).

	<i>Venezuela Colombia</i>			<i>Venezuela Colombia</i>	
Overseas buyers or firms	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Foreign government officials	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Overseas agents or distributors	<input type="checkbox"/> 2	<input type="checkbox"/> 2	U.K. government officials	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Overseas institutions	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Other (please specify)	<input type="checkbox"/> 6	<input type="checkbox"/> 6

Q19. a) What was your firm's 1995 turnover in Venezuela and Colombia? Venezuela _____ £
Colombia _____ £ (If nil, go to Q21)

Q20. How has this turnover changed in the past three years in the markets covered by the mission. If an increase or a decrease was experienced, please state the percentage change.

i) between 1994 and 1995?

Venezuela

Increase ☐ 1 _____ %
No change ☐ 2 _____ %
Decrease ☐ 3 _____ %

Colombia

Increase ☐ 1 _____ %
No change ☐ 2 _____ %
Decrease ☐ 3 _____ %

ii) between 1993 and 1994?

Venezuela

Increase ☐ 1 _____ %
No change ☐ 2 _____ %
Decrease ☐ 3 _____ %

Colombia

Increase ☐ 1 _____ %
No change ☐ 2 _____ %
Decrease ☐ 3 _____ %

Q21. What is the total cost to your firm (disregarding the subsidy) for participating in the trade mission (travel, accommodation, meals, entertainment, local transport, promotional material) £ _____

Q22. a) Would you have visited these markets this year anyway, even without the trade mission? Venezuela
Yes ☐ 1 No ☐ 2 Not sure ☐ 3
Colombia
Yes ☐ 1 No ☐ 2 Not sure ☐ 3

b) Would you have participated in this trade mission if it had not been subsidised? Yes ☐ 1 No ☐ 2 Not sure ☐ 3

Q23. a) How important were the following objectives for participating in this trade mission:

	Venezuela					Colombia						
a. Establishing productive contacts	Extremely	5	4	3	2	1	5	4	3	2	1	Not important
b. Generating serious sales leads	important	5	4	3	2	1	5	4	3	2	1	at all
c. Visiting existing customers		5	4	3	2	1	5	4	3	2	1	
d. Visiting potential customers		5	4	3	2	1	5	4	3	2	1	
e. Appointing new agents/distributors		5	4	3	2	1	5	4	3	2	1	
f. Supporting existing agent/distributors		5	4	3	2	1	5	4	3	2	1	
g. Appointing new suppliers		5	4	3	2	1	5	4	3	2	1	
h. Supporting existing suppliers		5	4	3	2	1	5	4	3	2	1	
i. Increasing sales in the market(s)		5	4	3	2	1	5	4	3	2	1	
j. Obtaining requests for quotes/bids		5	4	3	2	1	5	4	3	2	1	
k. Conducting market research		5	4	3	2	1	5	4	3	2	1	
l. Gathering data about the competition		5	4	3	2	1	5	4	3	2	1	
m. Obtaining press and PR coverage		5	4	3	2	1	5	4	3	2	1	
n. Increasing speed and efficiency of market entry		5	4	3	2	1	5	4	3	2	1	

b) Did you have any other objectives as important as, or more important than, the above objectives?

o. _____ 5 4 3 2 1 5 4 3 2 1
p. _____ 5 4 3 2 1 5 4 3 2 1

c) Among the above objectives, which ones are the three most important ones? (Please write the appropriate letter in the space provided).

Venezuela First most important [] Second most important [] Third most important []
Colombia First most important [] Second most important [] Third most important []

Q24. Based on your experience, how many months on average would it take to convert leads into sales in Venezuela and Colombia?

<i>Venezuela</i>		<i>Colombia</i>	
0 to 3	<input type="checkbox"/> 1	0 to 3	<input type="checkbox"/> 1
4 to 6	<input type="checkbox"/> 2	4 to 6	<input type="checkbox"/> 2
7 to 9	<input type="checkbox"/> 3	7 to 9	<input type="checkbox"/> 3
10 to 12	<input type="checkbox"/> 4	10 to 12	<input type="checkbox"/> 4
Over 12	<input type="checkbox"/> 5	Over 12	<input type="checkbox"/> 5

PLEASE ANSWER Q25 TO Q32 SOON AFTER YOU HAVE COME BACK FROM THE MISSION.

Q25. In your opinion, how successful were you in achieving your **THREE** most important objectives as stated in Q23 above?

		<i>Venezuela</i>	<i>Colombia</i>	
Objective 1	Very successful	5 4 3 2 1	5 4 3 2 1	Not successful at all
Objective 2		5 4 3 2 1	5 4 3 2 1	
Objective 3		5 4 3 2 1	5 4 3 2 1	

Q26. Indicate the outcomes directly generated during the mission.

1. Value of firm orders received (£) and percentage of these orders solely generated by your participation in the mission:

<i>Venezuela</i>		<i>Colombia</i>	
None	<input type="checkbox"/> 1	None	<input type="checkbox"/> 1
Less than 25K	<input type="checkbox"/> 2	Less than 25K	<input type="checkbox"/> 2
25K to less than 50K	<input type="checkbox"/> 3	25K to less than 50K	<input type="checkbox"/> 3
50K to less than 100K	<input type="checkbox"/> 4	50K to less than 100K	<input type="checkbox"/> 4
100K to less than 300K	<input type="checkbox"/> 5	100K to less than 300K	<input type="checkbox"/> 5
300K to less than 500K	<input type="checkbox"/> 6	300K to less than 500K	<input type="checkbox"/> 6
Over 500K	<input type="checkbox"/> 7 _____%	Over 500K	<input type="checkbox"/> 7 _____%

2. Number of firm orders received: *Venezuela* _____ *Colombia* _____

3. Number of serious sales leads obtained (leads that have a high probability to turn into sales in the next 12 months): *Venezuela* _____ *Colombia* _____

4. Number of productive contacts made (contacts that will facilitate your dealings in the market): *Venezuela* _____ *Colombia* _____

5. Number of requests for quotes/bids obtained: *Venezuela* _____ *Colombia* _____

6. Number of new agents/distributors appointed: *Venezuela* _____ *Colombia* _____

7. Number of new partners appointed: *Venezuela* _____ *Colombia* _____

Q27. a) Do you expect any further sales in these markets in the next 2 years solely as the result of your participation in this mission? *Venezuela* Yes ☐ 1 No ☐ 2 Not sure ☐ 3 *Colombia* Yes ☐ 1 No ☐ 2 Not sure ☐ 3

b) What is the estimated value of these sales?

<i>Venezuela:</i>	Year 1 _____ £	<i>Colombia:</i>	Year 1 _____ £
	Year 2 _____ £		Year 2 _____ £

Q28. How satisfied were you with the trade mission to Venezuela and Colombia?

1. Quality of support provided by LCCI* staff	Extremely satisfied	5	4	3	2	1	Not satisfied
2. Quality of support provided by overseas UK officials		5	4	3	2	1	at all
3. Relevance of pre-departure briefing	Did not attend	5	4	3	2	1	
4. Specific value of activities during the event		5	4	3	2	1	
5. Relevance of contacts made		5	4	3	2	1	
6. Total cost of trade mission		5	4	3	2	1	
7. Overall organisation of the event by LCCI		5	4	3	2	1	
8. Fit of trade mission with firm's need for export assistance		5	4	3	2	1	

*LCCI: London Chamber of Commerce and Industry

Q29. When (number of months) do you expect it will be necessary to visit these markets again?

Venezuela	_____	months
Colombia	_____	months

Q30. Will your next visit be:

a) on your own or	Venezuela	Yes <input type="checkbox"/> 1	No <input type="checkbox"/> 2	Not sure <input type="checkbox"/> 3
	Colombia	Yes <input type="checkbox"/> 1	No <input type="checkbox"/> 2	Not sure <input type="checkbox"/> 3
b) with the use of	Venezuela	Yes <input type="checkbox"/> 1	No <input type="checkbox"/> 2	Not sure <input type="checkbox"/> 3
a trade mission?	Colombia	Yes <input type="checkbox"/> 1	No <input type="checkbox"/> 2	Not sure <input type="checkbox"/> 3

Q31. In total, how many overseas trade missions (including this one) have you already participated in? _____ missions

Q32. Will you participate in other overseas trade missions to visit your export markets in the future? Yes ☐ 1 No ☐ 2 Not sure ☐ 3

THANK YOU FOR YOUR COOPERATION

Thank you for your cooperation in filling out this questionnaire. We will contact you again in the next six to nine months to follow-up on the outcomes of the mission you have just participated in. The next contact with you will be either through a posted questionnaire or a half hour personal interview. Please state which you would prefer:

- I would rather receive a follow-up questionnaire through the post ☐ 1
- I would rather answer questions during a personal interview ☐ 2

In order to ease future contacts, please indicate:

Your name: _____ Title: _____

Your Firm's Name: _____ E-mail: _____

Phone number: _____ Fax number: _____

If you would like to expand on your mission experience or on any of the questions, or comment on the survey itself or on the design of the questionnaire, please do so in the space provided. Further to your participation in the second stage of the survey, you will receive a summary report of the findings.

Please forward this questionnaire in the month following your return from the mission to: Martine Spence, Middlesex University Business School, School of Management, The Burroughs, Hendon, London, NW4 4BT, Tel: 0181-362-6316, Fax: 0181-202-1539, E-mail: M.Spence@mdx.ac.uk

YOUR COMMENTS (Please use other side, if necessary):

10 May 1997

Dear Sir,

My records indicate that you participated in a trade mission to Venezuela sponsored by the London Chamber of Commerce and Industry in June 1996.

As part of a PhD project, the focus of which is the evaluation of overseas trade missions, you received a questionnaire immediately after the event. The purpose of this was to gather data about your firm and assess the success of the mission. I would appreciate if you could tell me now what has happened to your firm in the market since the trade mission and how this event has helped you in developing your export business in your area.

I thank you for your assistance in this matter. If you wish to have a summary copy of the survey results, I would be pleased to send it to you.

Please note that all the information provided will be treated confidentially.

Yours sincerely,

Martine Spence
Senior Lecturer

FOLLOW-UP QUESTIONNAIRE

Trade Mission to VENEZUELA (November 1996) with the London Chamber of Commerce and Industry

- Q1. Indicate the type of follow-up you conducted or you plan to conduct to keep in touch with the market in the 24 months following the trade mission to Venezuela (please circle the appropriate answer).

Follow-up		0-6 months	7-12 months	13-24 months
Customers	Telephone	Yes No N/A	Yes No N/A	Yes No N/A
	Mail	Yes No N/A	Yes No N/A	Yes No N/A
	Samples	Yes No N/A	Yes No N/A	Yes No N/A
Agents	Telephone	Yes No N/A	Yes No N/A	Yes No N/A
	Mail	Yes No N/A	Yes No N/A	Yes No N/A
	Samples	Yes No N/A	Yes No N/A	Yes No N/A
Suppliers	Telephone	Yes No N/A	Yes No N/A	Yes No N/A
	Mail	Yes No N/A	Yes No N/A	Yes No N/A
	Samples	Yes No N/A	Yes No N/A	Yes No N/A

- Q2. Indicate how many times you plan to visit the market in the 24 months following the mission to Venezuela.

	0-6 months	7-12 months	13-24 months
Individual visits			
Trade missions			
Trade fairs			

- Q3. What considerations dictate the frequency of your contacts?

Q4. Please indicate the outcomes you obtained in the 6 months following the trade mission to Venezuela as a direct result from your participation and the follow-up you conducted. Also indicate the outcomes you anticipate in the 18 months after that (write the actual figures).

	0-6 months	7-12 months	13-24 months
Amount of sales from Venezuela (£000)			
What percentage of these sales do you directly attribute to your participation in the trade mission (%)?			
Number of additional orders received			
Number of additional leads obtained			
Number of additional contacts made			
Number of additional requests for quotes/bids obtained			
Number of additional agents/distributors appointed			

Q5. What changes did you notice in the 6 months following the mission and what do you expect over the next 18 months? (Please circle and indicate the percentage change).

	0-6 months	7-12 months	13-24 months
Total firm's turnover	Increase _____%	Increase _____%	Increase _____%
	No change _____	No change _____	No change _____
	Decrease _____%	Decrease _____%	Decrease _____%
Total export turnover	Increase _____%	Increase _____%	Increase _____%
	No change _____	No change _____	No change _____
	Decrease _____%	Decrease _____%	Decrease _____%
Turnover in Venezuela	Increase _____%	Increase _____%	Increase _____%
	No change _____	No change _____	No change _____
	Decrease _____%	Decrease _____%	Decrease _____%
Market share in Venezuela	Increase _____%	Increase _____%	Increase _____%
	No change _____	No change _____	No change _____
	Decrease _____%	Decrease _____%	Decrease _____%

Q6. How do these outcomes compare with the ones you anticipated from the mission (please circle a number)?

much
worse

much
better

1

2

3

4

5

- Q7. State whether you agree or disagree with the following statements:
5=Strongly agree, 4=Agree, 3=No difference, 2=Disagree, 1=Strongly disagree

	Strongly disagree					Strongly agree				
The trade mission enhanced our understanding of the way of doing business in this market.	1	2	3	4	5					
The trade mission improved our awareness of international competition offerings in the market.	1	2	3	4	5					
The trade mission increased the firm's level of competence in the market.	1	2	3	4	5					
The trade mission experience lead to faster market entry.	1	2	3	4	5					
The trade mission experience lead to a more systematic search of export opportunities.	1	2	3	4	5					

- Q8. For each of the following activities, please indicate:
(a) the extent to which you felt it was necessary to carry out that activity;
(b) the extent to which you have actually carried it out.

	(a) Extent you felt it was necessary			(b) Extent you have actually carried it out		
	not at all	some	a great deal	not at all	some	essentially completed
Adapt our products/ services to the market.	1	2	3	1	2	3
Adapt our prices to the market.	1	2	3	1	2	3
Adapt our promotional material to the market.	1	2	3	1	2	3
Introduce new products to the country.	1	2	3	1	2	3
Increase our marketing budget in the country.	1	2	3	1	2	3
Make additional business trips to the market.	1	2	3	1	2	3
Increase our export commitment to the country.	1	2	3	1	2	3
Take other positive actions (specify):	1	2	3	1	2	3

Q9.	When compared to individual visits to an export market, group trade mission participation:	Strongly disagree					Strongly agree				
	. has allowed to meet more key contacts	1	2	3	4	5					
	. has allowed to meet a higher quality of contacts	1	2	3	4	5					
	. has allowed to lighten the financial burden to the firm	1	2	3	4	5					
	. provided the firm with a great deal of organizational help	1	2	3	4	5					
	. has allowed to gain more in-depth knowledge:										
	. of the market in general	1	2	3	4	5					
	. of the business culture	1	2	3	4	5					
	. of the competition in my sector	1	2	3	4	5					
	. has encouraged the firm to do business in the market sooner	1	2	3	4	5					
	. has allowed to receive orders sooner	1	2	3	4	5					

Q10. Please rank in order of importance to your firm the following benefits generated by the trade mission to Venezuela (6=most important, 1=least important, 9=not applicable)

- . Prestige, credibility, visibility
- . Support from group members
- . Efficiency due to the administrative arrangements provided
- . Safety due to number
- . Financial benefits due to the DTI grant
- . Financial benefits due to the travel package

Q11. Have you ever personally dealt with the market(s) covered by the mission, before participating in this mission? ☐ Yes ☐ No

Q12. Did you use any of the following services provided by the DTI before you went on the mission? (Please tick the appropriate boxes)

- . National Business Language Information Service (NatBLIS) ☐
- . Languages in Export Advisory Scheme (LEXAS) ☐
- . Export Market Information Centre (EMIC) ☐
- . Export Market Information Research Service (EMIRS) ☐
- . Prelink ☐
- . Market Information Enquiry Service (MIES) ☐
- . Overseas Investment Enquiry Services (OIES) ☐
- . Programme Arranging Service (PAS) ☐
- . In-Market Help Service (IMHS) ☐
- . Export Marketing Research Scheme (EMRS) ☐
- . Export Representative Service (ERS) ☐
- . Overseas Status Report Service (OSRS) ☐
- . Trade Fair Support Scheme (TFSS) ☐
- . Commercial Publicity Package ☐
- . Other (Please specify) ☐

Q13. How could trade missions in general be improved?

Q14. Would you like to receive a summary report of this survey? ☐ Yes ☐ No

THANK YOU FOR YOUR COOPERATION

ADDITIONAL COMMENTS:

Please promptly return this questionnaire to: Martine Spence, Middlesex University Business School, School of Management, Centre for European Marketing, The Burroughs, Hendon, NW4 4BT. Tel: 0181-362-6316, Fax: 0181-202-1539, E-mail: M.Spence@mdx.ac.uk

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